reba insights

Benefits Trends for 2025 Research

IN PARTNERSHIP WITH

BARNETT WADDINGHAM
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About REBA

The Reward & Employee Benefits Association (REBA) is a thriving community of HR professionals dedicated to pursuing best practice in reward and benefits. Synonymous with excellence, REBA informs and empowers its members to grow their networks, advance their knowledge, source and connect with market-leading vendors, and be prepared for what's coming over the horizon.

REBA's research taps into its diverse network of 4,400+ members and 20,000+ HR contacts to provide objective insights into the reward, benefits and people risk strategies that a broad range of organisations are implementing throughout the UK and internationally. As a result, REBA produces independent reports featuring data-led benchmarking, fresh insights, emerging trends and case studies to identify change and inform better decisions in reward and benefits strategies.

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Reward & Employee Benefits Association
PURSUING BEST PRACTICE

Information is power in the face of rapidly shifting social trends

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A clear view is key to mastering the three As: agility, adaptability and action

Clear insight into trends that will cause change both within an organisation, as well as broadly across an economy, is crucial for business leaders. While not all trends will affect all reward and benefits strategies evenly, being aware of predicted shifts will aid agility, adaptability and action.

The *Benefits Trends for 2025 Research,* conducted by REBA in partnership with Barnett Waddingham, delves into the top macro trends commonly top of mind for CEOs. It also includes high-level issues keeping human resources teams on their toes, such as the tight UK labour market and incoming legislation.

By delving into the data, the research points to how reward and benefits strategies and spend are adapting – or could morph to adapt – to gradual business and societal transformation, as well as where more immediate needs will be pulling focus in 2025.

Digital transformation

High on business agendas is digital transformation, from the use of robots and artificial intelligence (AI) to create products and services, through to the digital tools employees use in their daily jobs. These are spurring on demand for new skills, removing jobs to automation and creating more complex human roles. Within reward and benefits departments, digital shifts are afoot as platforms evolve and providers reimagine how to administer, measure and communicate pay and benefits. While AI is still in relative infancy in this space, advancements are under way that are already starting to affect delivery.

This research indicates that more flexible pay strategies will increasingly be used to support behavioural change linked to business transformation. It also shows that ongoing flexibility will continue to transform how, when and where people work. With a tight labour market, increased diversity of employee needs, as well as an ageing workforce, the trend is gradually moving away from one-size-fits all working patterns.

> Digital shifts are afoot as platforms evolve and providers reimagine... pay and benefits

Engaging younger generations

Demographic population shifts show up strongly in this research as a driver of change for businesses, but more especially for benefits. What is notable, however, is that, for most employers, the immediate pressure to engage younger generations currently outweighs the focus on older workers. This reminds us that, while being aware of future trends is important, acting on the here and now to meet current objectives is still vital for most.

A third major cause of change will be new legislation. The Employment Rights Bill 2024-25 has been announced, with a new pensions bill waiting in the wings as this research is being compiled. Interestingly, in the former, there are threads of greater flexibility in working practices, more rights and pay transparency for increasingly diverse workforces, and greater support for sick employees. While the increased costs of delivering these improvements is of concern to some employers, they are often sector-specific. For many, these changes bring organisations that are lagging behind closer to the better practices of the majority.

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PURSUING BEST PRACTICE

Understand the trends that underlie a time of transition

David Collington

Partner, Head of Benefits Consulting
Barnett Waddingham

David Collington

Organisations embracing adaptability will be better equipped to handle ongoing changes

Flexible, digital-first benefits that work across a diverse workforce will build resilience

We live in times of change. There is a real sense of uncertainty and transition with the increase in global tensions, a changing of the guard for UK politics, the shifting US political landscape, and the economic fallout from the Covid-19 pandemic. And there are also significant changes happening in the world of work and employee benefits. It will therefore be those organisations best equipped to navigate this transition who stand the greatest chance to emerge with their businesses intact and healthy.

The principal way to navigate these changes is to understand the trends that both underlie this transition in a macro sense and by way of more local, immediate factors.

This research report identifies the key priorities for employers that want to remain competitive and responsive to employees' needs.

Digital tools

Digital transformation is the foremost trend, affecting both business and benefits strategies. Increasingly, organisations are using digital tools to manage benefits, track pay-gaps and optimise workforce roles. Automation and AI are reshaping job structures, creating demand for digital skills, and driving shifts in benefits management.

Another prominent trend is demographic shifts in the workforce. An ageing population and growing diversity in the workforce necessitate more personalised benefits. This report notes an increase in flexible working arrangements to support caregivers, older workers and individuals with chronic illnesses.

At the same time, employers are prioritising strategies to attract younger talent, whose retention rates have declined owing to unmet expectations around career growth and pay, accompanied by a noteworthy uptick in reported mental health issues among members of Generation Z. With mental health emerging as a top priority in general, employers are emphasising preventative health measures to reduce long-term healthcare costs.

Regulatory changes

To complicate matters, the incoming Employment Rights Bill introduces several legislative reforms aimed at enhancing employee rights. Provisions include a standardised National Minimum Wage, expanded pay-gap reporting, flexible working as a default option, and new protections for unpaid caregivers. Although nearly half of employers believe these changes might not significantly disrupt their benefits strategies, larger organisations anticipate challenges related to increased costs, compliance and workforce adjustments.

As organisations rise to these immediate challenges, the report further indicates strong strategic responses to macro trends such as adapting pay strategies to support greater flexibility, skills development and reskilling, enhancing employee value propositions by offering comprehensive benefits, and investment in benefits that promote long-term health.

Conclusion

This report suggests that organisations embracing adaptability in their benefits strategy will be better equipped to handle ongoing changes in the labour market, technology, and regulation. By focusing on flexible, digital-first benefits and addressing the needs of diverse employee groups, employers can build resilience and ensure that their benefits strategies align with both immediate and future workforce expectations.

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Evidence-based methodology reveals reliable, data-driven insights

REBA's robust, evidence-based methodology is strategically aimed at uncovering clear, actionable future trends and decision-making patterns among employers. The research aims to deliver reliable, data-driven insights that employers can leverage to help them make informed decisions about their own benefits strategies.

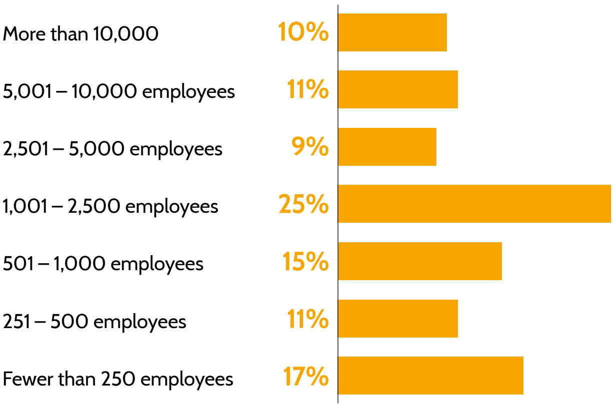
This research was conducted as an online quantitative survey between August to September 2024 among REBA's membership community and wider database of HR professionals. It achieved participation from 296 predominately medium to large organisations, representing an estimated 1.4 million employees. This approach ensured a broad and diverse set of data, reflecting a cross-section of employer sizes and industry sectors in the UK.

296
Employer respondents

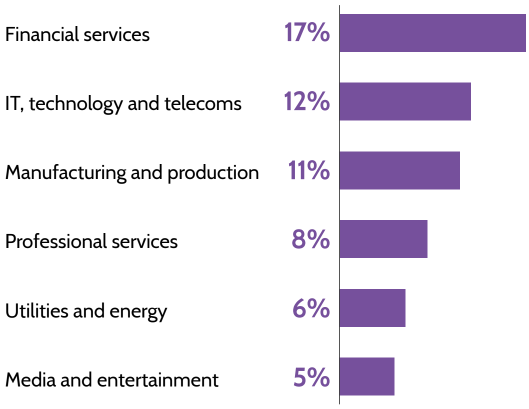
1.4m
Employees represented in the research

166
Respondents have more than 1,000 employees

Company size



Largest industry sectors (full list on page 25)



Responding companies

- 3M
- Amey UK
- Aventum Group
- Bidfood
- Channel 4
- CityFibre
- Costa Coffee
- Danone
- Dyson
- Eventbrite
- Flutter Entertainment
- GSK
- Haleon
- HSBC
- Inchcape
- Kier
- Logitech
- Lowell
- Lucy Group
- MAN Truck & Bus UK
- Monzo
- National Highways
- Oodle Car Finance
- Peabody
- River Island
- Rolls-Royce SMR
- Severn Trent
- Sumo Group
- Unilever
- Verifone
- Warner Music
- Wood
- Yell

View full list on page 25

The top macro trends in the reward and benefits space for 2025

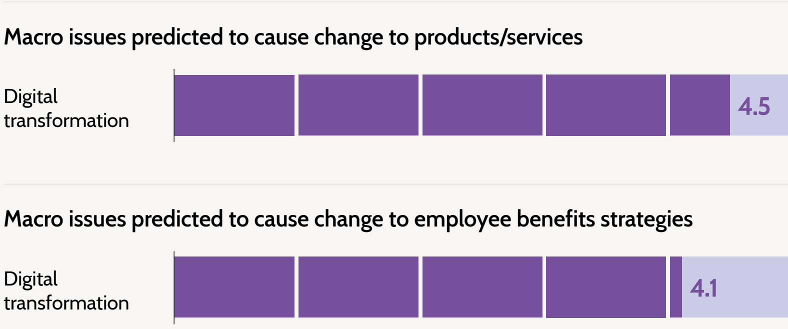
Digital transformation to reshape business and benefits strategies

Use of digital, from robots to large language models, is set to revolutionise business products and services over the next decade. Respondents also collectively rank digital transformation as causing great change to future benefits strategies. This is despite a lack of clarity on the use of artificial intelligence for day-to-day benefits management.

See page 8 and 9

Importance of digital transformation to business products and services and employee benefits strategies over the next 10 years

Scale: 5 = greatest effect; 0 = no effect



More focus will be on younger generations

With rising turnover rates among younger employees, worrying numbers of young people economically inactive, and a falling population trend, a focus on strategies to attract and support younger generations is important to the majority (89%) of employers. Addressing the differing needs of older generations is bringing new benefits into the workplace.

See page 19

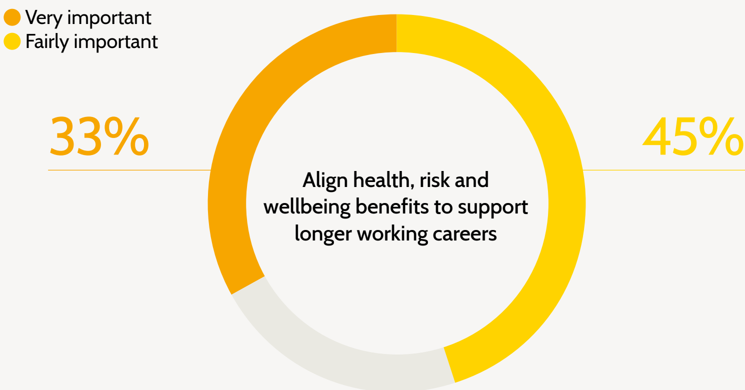
Proportion of employers prioritising benefits for younger workers

Longer working lives will change health strategies

Employers plan to adapt health, risk and wellbeing benefits for all generations to prepare for increasing numbers of employees retiring later than is currently the case. Employers are caught between the immediate needs of today's younger generations, while also trying to plan for the future people risks of an ageing workforce.

See page 17

Importance of benefit actions to support longer working careers

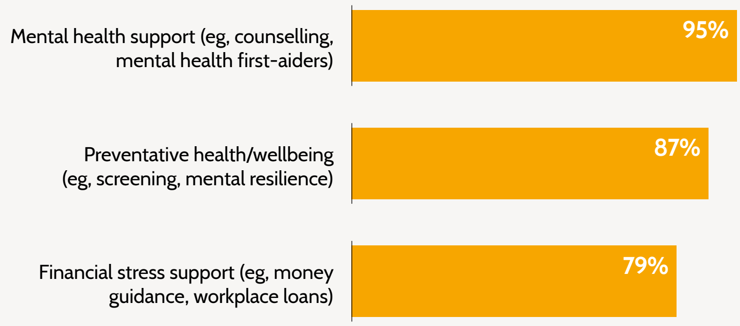


People risk concerns are driving benefits spend

With claims and demand for mental health care soaring across the UK, almost all employers (95%) are prioritising spend in this area. Nearly as many (87%) place importance on mitigating future people risk by spending on prevention now, which supports the finding that employers plan to align strategies more closely to longer working careers.

See page 16

Most important areas of spend (outside core benefits)

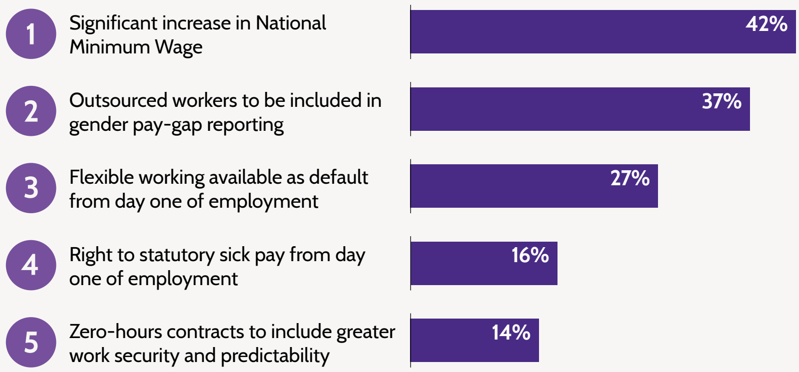


Legislative changes will cause concern for pay budgets

Although this research found that respondents expected change to regulation and legislation to be the leading cause of change to benefits strategies over the next decade, the Employment Rights Bill published in September 2024 indicates that most employers will take those changes in their stride. However, the impact on pay budgets from a rise in the National Minimum Wage, as well as day-one rights to sick pay, is causing concern.

See page 20

Top five pay-related employment rights likely to cause difficulty for employers

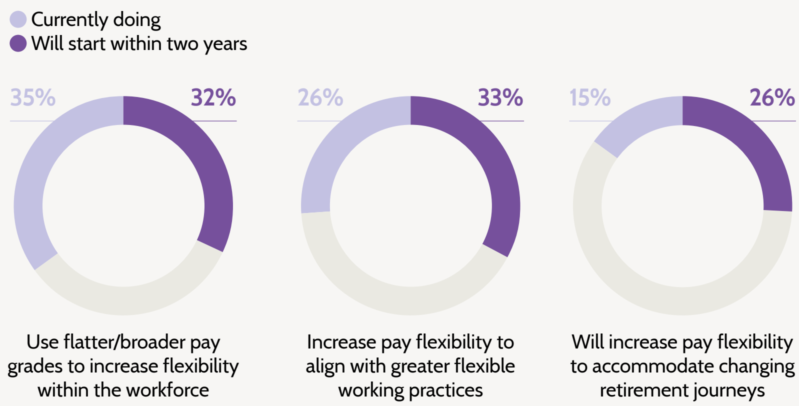


Flexible pay strategies aid business transformation

As organisations transform as a result of macro issues such as digital, demographic, labour, climate and legislative change, workforces will need to become more agile and flexible, while picking up new skills and ways of working. This research shows that this will be increasingly driven through changing pay strategies.

See page 18

Pay actions over the next two years to increasingly drive flexibility



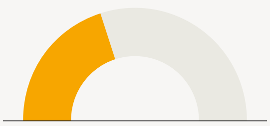
Scale of challenge is matched by opportunities

Governments and employers must mitigate effects of AI on employment

At the Annual Meeting of the World Economic Forum in Davos in January 2024, it was noted that AI is having an impact on jobs. Referring to an International Monetary Fund (IMF) Staff Discussion Note, *Gen-AI: Artificial Intelligence and the Future of Work*, delegates were told that almost 40% of employment globally is exposed to AI, rising to 60% in advanced economies. University-educated workers and women are more vulnerable to their jobs being altered by AI but are also most likely to benefit.

In this evolving landscape, governments and employers alike need to focus on upgrading regulatory frameworks and supporting labour reallocation, while safeguarding those who are adversely affected by AI.

The need to develop digital skills was also highlighted, and is something that employers in this research acknowledge as an area of focus.



40%

Almost 40% of employment globally is exposed to AI

Agile businesses will be able both to thrive and to shape the future of work

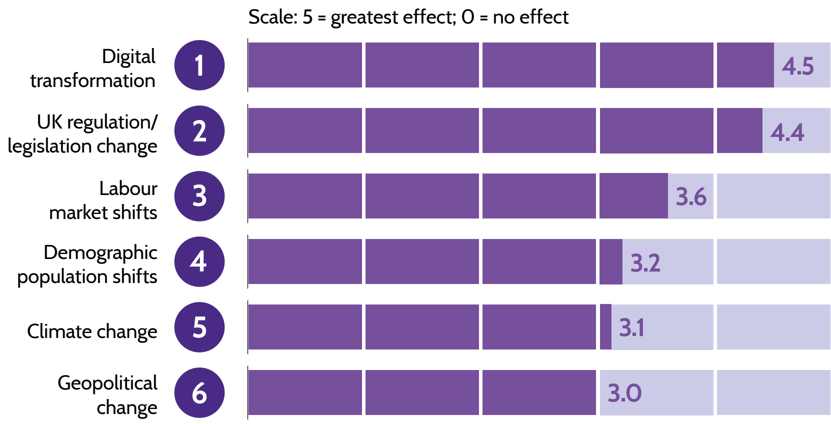
Business models across all industry sectors are evolving and transforming in response to interlinking global and UK macro issues. These, in turn, are driving changing workforce trends. This offers both challenges and opportunities for business leaders as well as those setting human resources strategies, such as workforce skills planning and reward practices.

Forward-thinking reward and benefits practitioners embracing what's happening in a wider business environment will be better placed to align their decisions to the shifting needs of their organisation and its employees.

As macro forces continue to evolve, the businesses that remain agile and forward-thinking will not only thrive but will lead the charge in shaping the future of work.

Figure 1

Macro issues predicted to cause change to products/services over the next decade



Consistent themes emerge across a range of well regarded polls among leading CEOs when asked what will change products and services at their businesses: digital transformation, climate change, changing regulation or legislation, and demographic change.

Respondents to this research, when asked to rank the predicted impact of macro issues on their own organisation's products or services over the next decade, indicate that digital transformation and UK regulation or legislation would be most significant. These themes are reflected in plans for employee benefits strategies.

Regulation change and digital transformation steer wider future workforce strategy

Wider socioeconomic issues affecting businesses will inevitably play a role in future benefits strategies, with UK regulation/legislation change (see below) being ranked as the issue most likely to influence employee benefits strategies over the next decade.

With changes to flexible working, statutory payments, pay-gap reporting and pensions taxation all on the horizon, it is little surprise that benefits strategies are being directed by legislation change.

Figure 2

Macro issues predicted to cause change to employee benefits strategies over the next decade

These results mirror the macro issues predicted to change products/services over the next decade, with population demographics, digital transformation and labour market shifts seen as the key areas of influence.

Climate change goals to revolutionise UK industries

Climate change may rank only fifth among influences on employers' business and benefits priorities, yet it will undoubtedly gather pace and have a significant impact.

The UK is aiming to reach net zero by 2050. This is leading to job losses in industries such as coal and steel, but will also mean a future rise in demand for new skills.

According to the Climate Change Committee's *2024 Progress Report to Parliament* in July: "The UK has committed to reduce emissions in 2030 by 68% compared to 1990 levels, as its nationally determined contribution to the Paris Agreement. It is the first UK target set in line with net zero.

"Now only six years away, the country is not on track to hit this target, despite a significant reduction in emissions in 2023. Progress to date has come from phasing out coal-generated electricity."

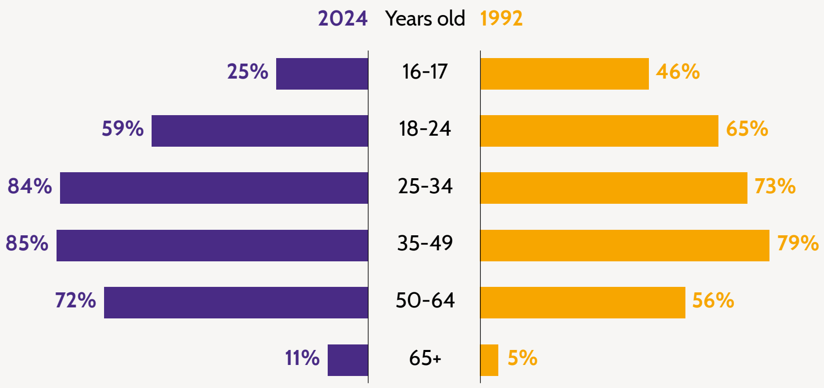
In its manifesto, the Labour government pledged to deliver clean energy by 2030 by working with the private sector to double onshore wind, triple solar power and quadruple offshore wind, investing in carbon capture and storage, hydrogen and marine energy.

How is society and the workforce ageing?

In 2011, figures from the Office for National Statistics (ONS) showed that 16.4% of the population in England and Wales was aged 65 or over. In the Census 2021, 18.6% of the total population is this age – equating to over 11 million people. The changing age structure of the population is reflected in a rise in the average median age from 39 in 2011 to 40 in 2021.

More than 1.4 million people aged 65 and over are in employment. ONS figures show the proportion of various age groups in the workforce.

1992 versus 2024 percentage employment levels by age group



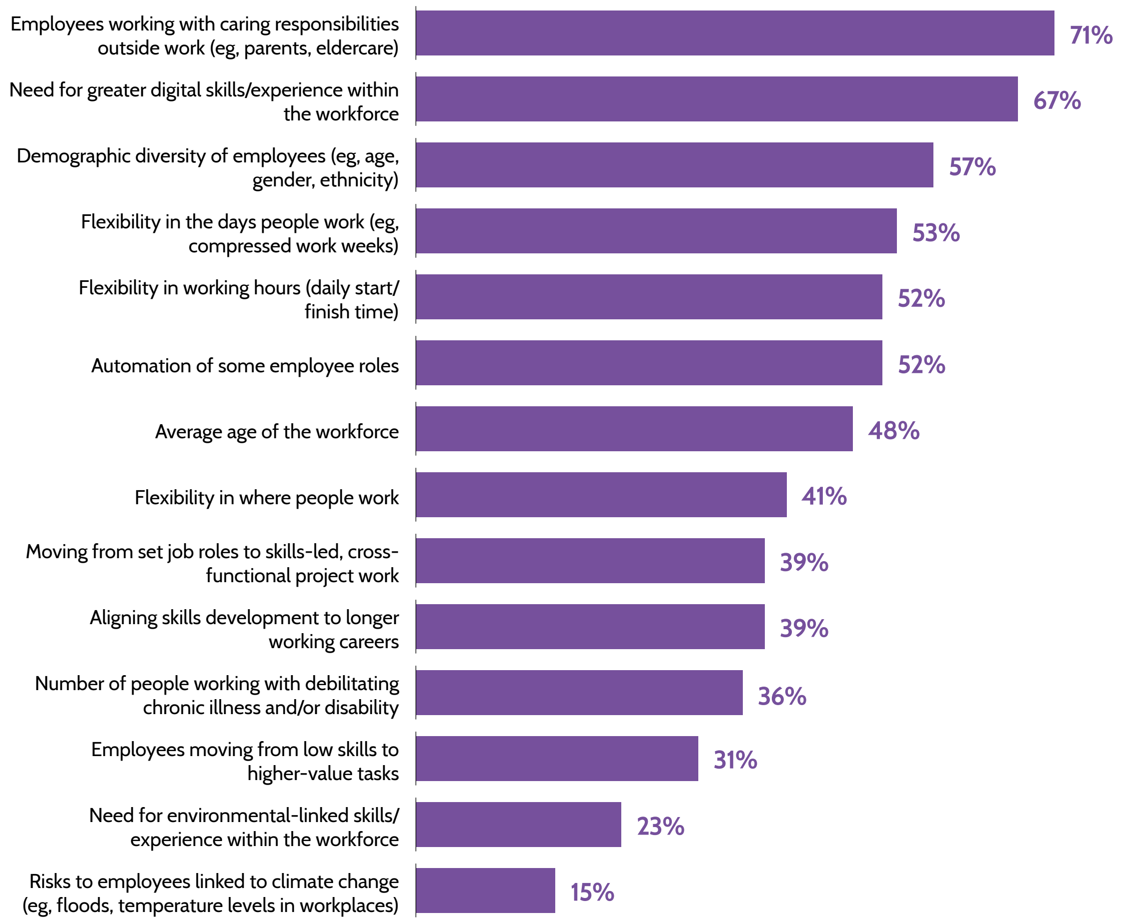
Intersection of macro issues is shaping workforce trends

Macro issues will have a direct impact on the workforce, employee expectations, operational efficiencies and demand for new skills.

How trends play out over the next five years will vary by sector and skillset, but this research demonstrates an increasing expectation of a greater diversity of needs among the workforce, as well as increasing flexibility in how people work.

Figure 3

Workforce trends predicted to increase over the next five years



BIG SHIFT

176%

Increase in using digital and/or data tools to manage pay-gap reporting

Currently, 29% of employers use digital tools to measure pay gaps, yet this figure is set to almost double to 51% in the next two years.

Demographic shifts driving change in workforces

According to the 2021 Census data, the age by which more than half of people were retired increased from 64 in 2011 to 66 in 2021. This was largely driven by the removal of legislation in 2011 allowing employers to force people to retire at age 65. During this period, the State Pension Age for women also rose to match that of men and will continue to rise for all to 67 by 2036 and 68 by 2046.

The rising average age of the UK workforce (see page 11) is leading to the emergence of key workplace trends. Employees working with caring responsibilities outside work (including parents and those caring for elders) was the most commonly cited trend, affecting almost two-thirds (71%) of respondents.

This chimes with wider evidence on the role that caring responsibilities will play in the labour market in the coming decades. According to a 2020 report from Carers UK, *Caring Behind Closed Doors*, around one in seven workers are juggling work and caring responsibilities, and this figure is projected to rise to one in six by 2040. This may explain why more than half of respondents cited flexibility in the days people work (53%) and flexibility in working hours (52%) as trends that were likely to increase. Those with caring responsibilities are more likely to require bespoke working arrangements to accommodate their role as primary carers.

Figure 4

Demographic-linked changes that will increase in the workforce over the next five years

Unpaid caring roles leave workers facing difficult financial decisions, expenses and debt

Carers are also facing difficult financial decisions when trying to balance working hours and state benefits, while some may experience unexpected expenses, such as higher heating or transport costs. Others may have to organise and help fund in-home care or nursing home fees.

Figures from the *Heading for Crisis: Caught Between Caring and Rising Costs* report by Carers UK reveal that, of the 10.6 million carers in the UK, 16% of unpaid carers are in debt as a result of their caring role and their financial situation. This proportion rises to 40% for those in receipt of Carer's Allowance.

Proportion of workforces affected by financial wellbeing risks among working carers

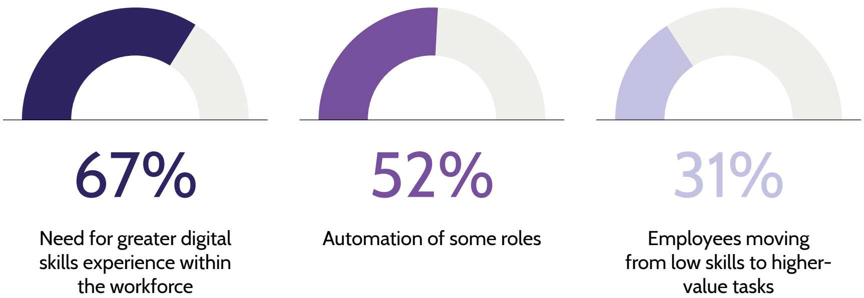
Source: REBA Financial Wellbeing Research 2024

Digital transformation affects workforce, pay and benefits

Digital transformation is the largest macro issue expected to affect business products and services over the next decade (see page 10). This will increase focus on digital skills and be a significant driver of change to job design. The shift towards digital-first solutions will also be crucial in meeting the evolving expectations of a tech-savvy workforce.

Figure 5

Digital transformation effects predicted to increase over the next five years



There is a growing mismatch between the demand for digital skills from employers and the supply of workers with these skills. *Disconnected: Exploring the Digital Skills Gap*, a 2021 report from the Learning and Work Institute, points out that three in four (76%) businesses say that a lack of digital skills would affect the profitability of their business.

Rise of digital tools will change HR skills, too

Digital transformation is affecting not just how organisations are run but also how pay performance is assessed. An automated process can also reduce administrative time and minimise errors, allowing reward professionals to focus on more strategic tasks.

Figure 6

Use of digital tools to manage pay

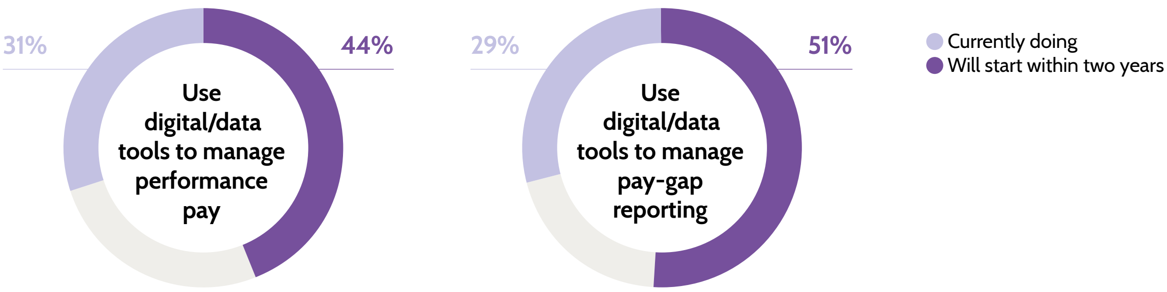
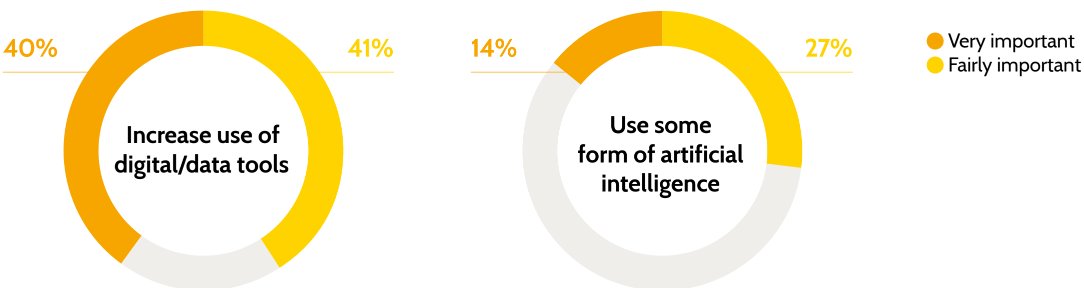


Figure 7

Importance of digital tools to manage benefits



War for talent puts employee proposition centre stage

Employment levels feed into labour market shifts that are affecting benefits strategies

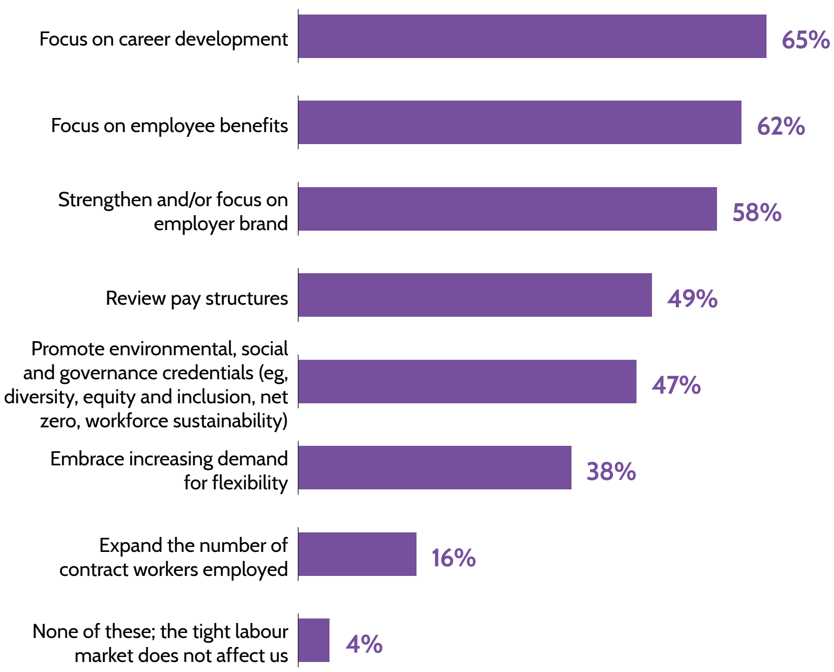
In this research, the impact of labour market shifts were weighted as high on benefits strategies (see page 11) and moderate on changes to business products and services (see page 10). A key element of labour market shifts links to employment levels.

According to a House of Commons Library report, the UK unemployment rate was 4.1% for May to July 2024, while the inactivity rate rose to 21.9%. This tight labour market means that most of those who wanted to work were in work, making recruitment difficult.

This research found that nearly all employers (96%) are affected by the tight labour market. Competition between employers to attract the right talent is leading to greater focus on the employee value proposition, from wage growth, boosted emphasis on benefits packages, and the introduction of greater flexibility, through to training and enhanced career development opportunities.

Figure 7

How employers are reacting to a tight labour market



Wage growth eases despite tight labour market

The Bank of England's *Monetary Policy Report (May 2024)* found that wage growth has fallen to around 6% and is expected to ease further. The Monetary Policy Committee (MPC) expects pay growth to slow to around 5.5% this year.

Figures from the ONS confirm this projection. For the period from May to July 2024, annual growth in employees' average regular earnings was 5.1%. The report says that there are stronger pay expectations in consumer-facing sectors than elsewhere, in part owing to a higher National Living Wage (NLW). The direct impact of the NLW is likely to be modest, but employers may seek to retain pay differentials for employees further up the pay distribution.

It is also worth noting that the Employment Rights Bill 2024-25 (see more on page 22) will remove age bands for the minimum wage and introduce a requirement for the cost of living to be considered when setting the minimum pay rate. This may have consequences on future wage growth, especially for low earners.

Pay settlements are otherwise expected to moderate further during the year, reflecting a less tight labour market and continued easing in consumer price inflation.

Macro issues cause evolution in pay strategies

Changes in pay structures are being used to support business transformation in just under half of organisations (41%). Increasing flexibility is also being introduced into pay practices to drive reskilling and flexibility in roles, in response to changing demographics and business models.

The macro issues of regulation and legislation as well as geopolitics are also at play. With the deadline for the implementation of the EU Pay Transparency Directive across all EU countries due by June 2026, UK employers are increasingly being influenced by labour market forces. Many are reconsidering their approach to pay transparency and redefining pay structures, regardless of whether they operate in the EU.

Figure 8

Planned pay actions over the next two years

Currently doing
Will start within two years

BIG SHIFT

+282%

Increase in pay flexibility to support reskilling

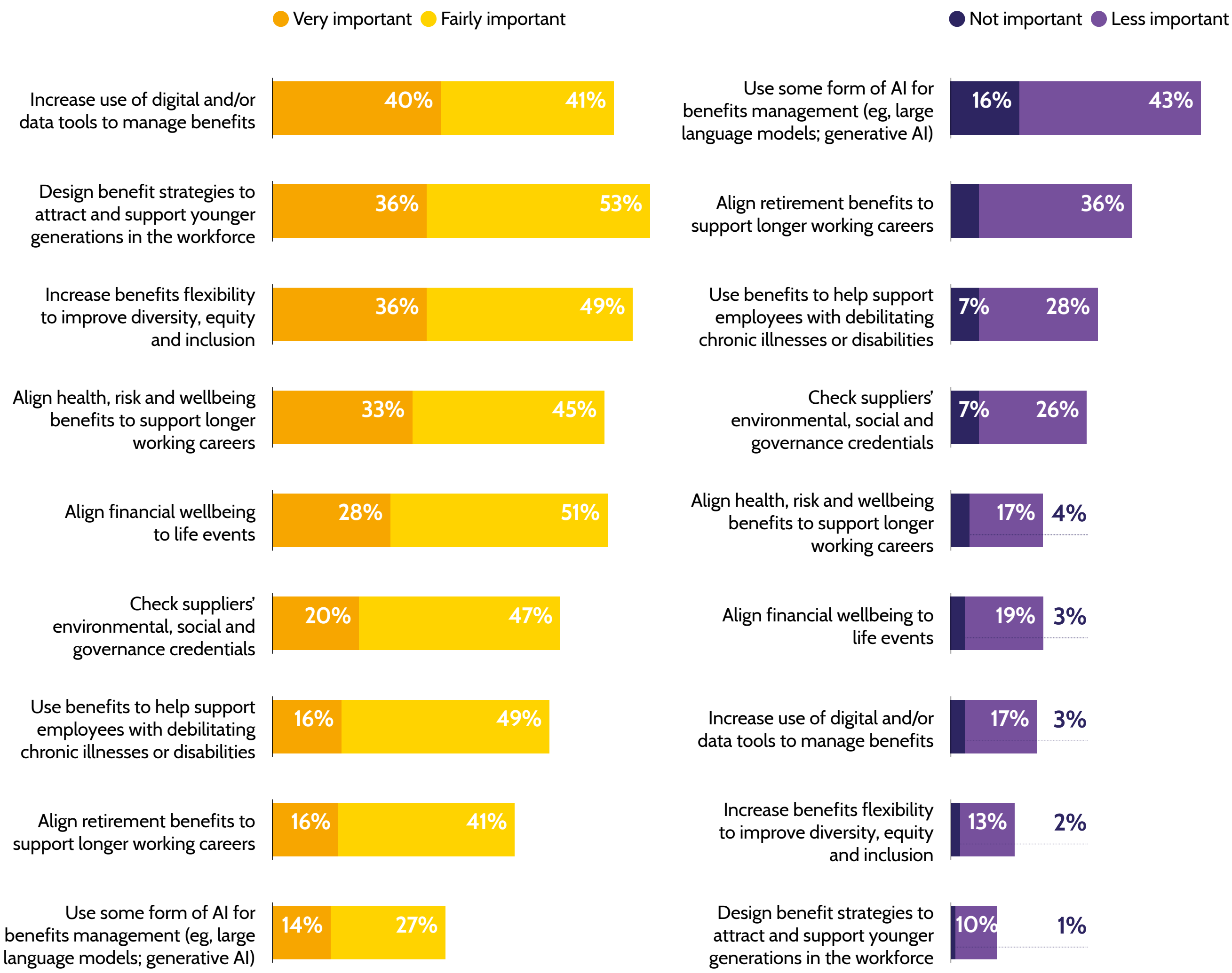
Roughly one in 10 employers (11%) are currently increasing pay flexibility to support reskilling. However, a further third (31%) plan to do so in the next two years.

Future benefits actions driven by digital transformation and support for younger workers

The appetite for digital transformation described in the first chapter is once again reflected through the benefit proposition. Across the reward and benefits market, there is an increased use of digital tools, as well as new products being launched onto the market.

Figure 9

Importance of employee benefits actions over the next two years



There is an interesting juxtaposition with AI not yet being seen by employers as important for employee benefits. This is despite the vast majority seeing the use of digital tools or data as being important.

Business in The Community's 2024 *Lifting Up The UK: State of the Nation 2024* report found that over half (55%) of CEOs identified either adapting to new technologies or implementing generative AI as one of their greater challenges.

Caution by respondents about AI may be because of the risk of misinformation, energy requirements, risk of cyber fraud, and data sharing - all of which will need to be addressed as the acceleration of this technology continues.

Large language models and generative AI offer opportunities for benefits leaders to rethink the administration, communication and personalisation of benefits.

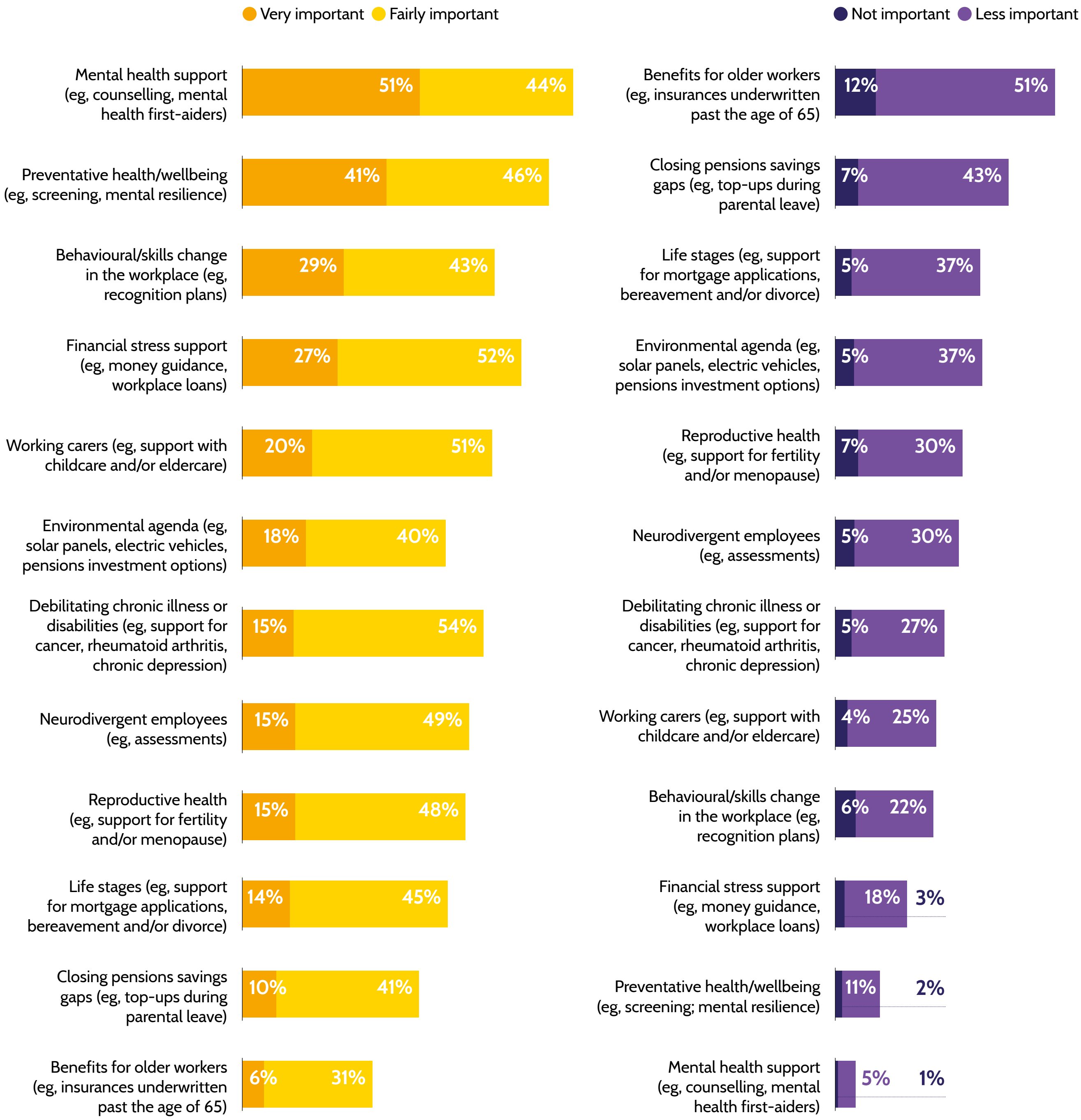
Wellbeing, preventative health measures and reskilling are priorities for benefits spend

With the array of employee benefits expanding to meet the needs of increasingly diverse workforces with equally diverse needs, employers can feel under pressure to offer it all.

When asked to rate what is most important within a benefits budget (aside from core employee benefits, such as pensions and insurances), it is people risk issues that rise to the top.

It is notable that benefits linked to longer working lives and the ageing demographic rank low in importance. This might shift in coming years and decades, with employers focused on the more immediate future right now.

Figure 10
Most important benefits to purchase (aside from core benefits)



Demographic population shifts drive benefits changes

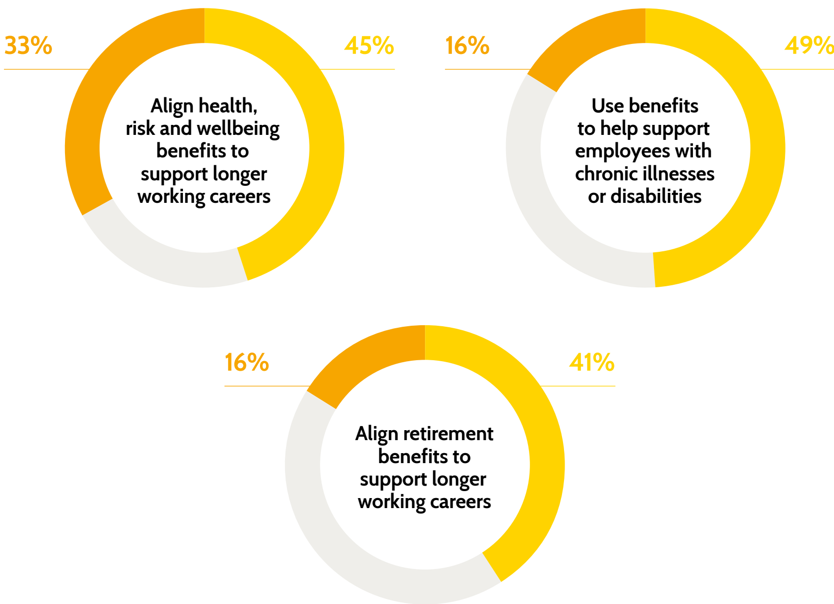
Demographic population shifts are on the radar for employers at a business level and across benefits strategies (see page 13), with almost half of employers (48%) expecting increases in the average age of the workforce (see page 11). This reflects The Centre for Ageing Better's *State of Ageing 2023 report*, which found that there are almost 11 million workers aged 50 and over – four million more than there were 20 years ago.

Supporting employees in their later working lives has become, and will continue to become, increasingly important for reward and benefits strategies.

Figure 11

Importance of benefit actions relating to longer working careers in the next two years

Very important
Fairly important



Illness and caring are key reasons for over-50s being out of work

- The average age of exit from the labour market is at the highest recorded level on ONS data since annual reporting began in 1984
- The average age of exit for men is 65.7 years (up from 65.3 in 2023); and 64.5 for women (up from 64.1 in 2023)
- The economic inactivity rate for this group is 27.4% (compared with a pre-pandemic rate of 25.5% in 2019)
- The economic inactivity rate for women of 50-64 remains statistically significantly higher than for men of the same age, at 31.3% in 2024, compared with 23.2% for men
- Being sick, injured or disabled is the main reason why this group are economically inactive, with 44.9% of individuals giving this as the main reason
- Women (17.6%) were twice as likely as men (8.9%) to report 'looking after home or family' as the main reason for not looking for work – a statistically significant difference.

Source: ONS Economic Labour Market Status of Individuals Aged 50 and Over, Trends Over Time (September 2024)

Spend on benefits for older workers seen as less important by employers

According to Census 2021 data, the most common factors that older workers considered when choosing to return to work were flexible working hours, good pay, the ability to work from home and a job that fits around caring responsibilities.

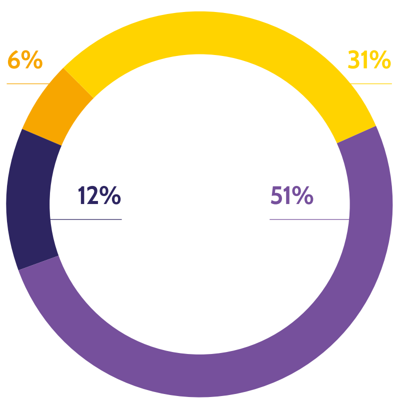
Employers may find that the importance of allocating budget spend to support chronic illness or disabilities increases as workforces age, as does spend to support working carers (see page 18).

Currently, just one in 16 employers (6%) say it is very important to purchase benefits for older workers. This is not helped by the limited availability of benefits and insurances targeted at over-65-year-olds.

Figure 12

Importance of benefits for older workers in budget spend

Very important
Fairly important
Less important
Not important



BIG SHIFT

+173%

Increase in pay flexibility to accommodate changing retirement journeys

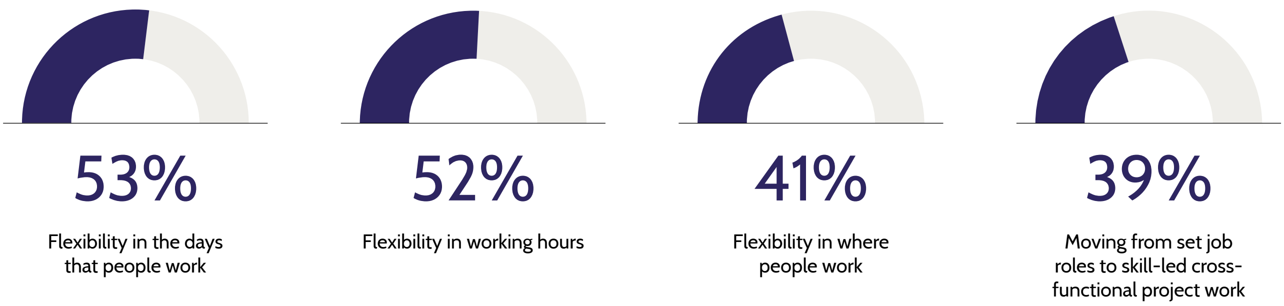
Just 15% of employers currently offer pay flexibility for changing retirement journeys, yet an additional 26% of employers are expected to start offering this within the next two years.

Greater flexibility in working practices to meet talent demands

Traditional working hours and locations, as well as set job designs, are evolving as employers become more agile and adapt to attract the talent they need from a wider talent pool, both in the UK and globally. Nearly one in four employers (38%) would embrace increasing demand for flexibility to manage the tight labour market (page 15).

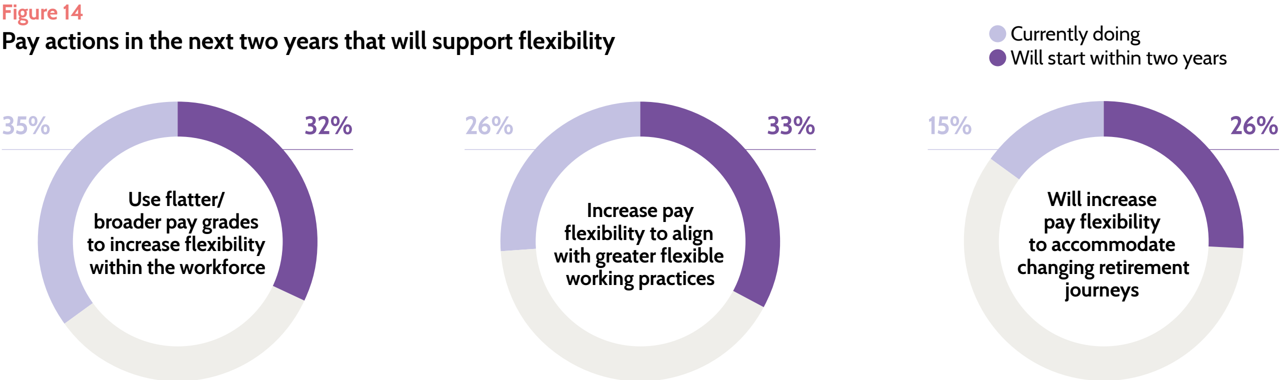
Flexibility in working practices appeals to all ages, including carers, parents, older workers and employees working with illness or disabilities, who could be helped to remain in the workplace for longer.

Figure 13
Flexibility changes employers expect to increase over the next five years



Organisations that are shifting to new products and services while developing and recruiting new skills need more agile employees who are prepared to try new methods and work in different ways. This research shows that reward strategies encouraging flexibility will be one way of supporting this.

Figure 14
Pay actions in the next two years that will support flexibility



More than half of employers step up support for the range of employee life stages

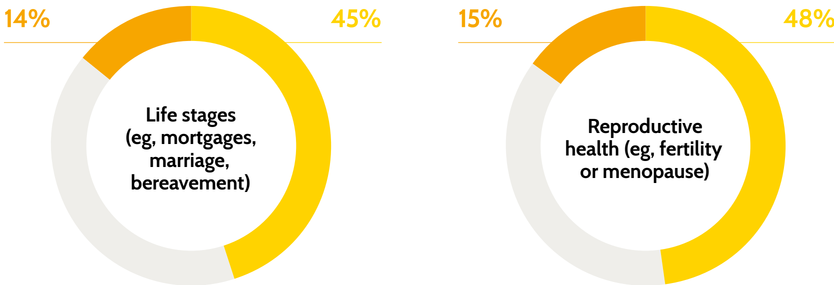
A combination of longer working careers, increased diversity of the workforce and the need to retain and engage employees has led to a rise in supporting workers' various life stages. From sabbaticals, getting married or parental leave, through to buying a house, going through divorce or a bereavement, there is now more on offer via the workplace.

REBA's *Employee Wellbeing Research 2024* mirrored these findings, where more than half (51%) of respondents said the government is relying more on employers to offer workplace health support, and this will influence their health and wellbeing strategies.

Figure 15

Importance of life stages and reproductive health support within budget spend

Very important
Fairly important



Supporting the next generation of the workforce

Designing benefits to attract and support younger workers is critical for long-term business health. Employee priorities, expectations and job design may differ significantly from previous generations.

The Institute of Student Employers (ISE) found in its Student Development Survey (2023) that the retention rate for graduates after three years was 79% in 2011, dropping to 70% in 2023. The data suggests that common reasons for leaving include dissatisfaction with pay (40%) and progression (18%).

Benefits will therefore need to be designed to help meet graduates' unique needs and values to make employers more attractive to this crucial segment of the workforce.

Figure 16

Proportion of employers prioritising benefits for younger workers

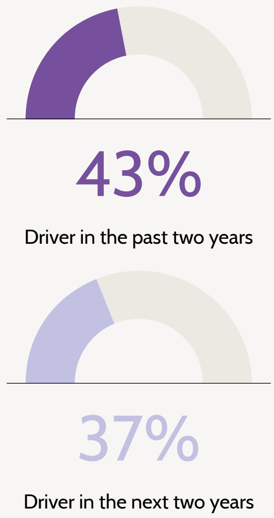
Very important
Fairly important

Housing as a major life event

In this research, more than three-quarters (79%) of respondents said aligning financial wellbeing to life events was important or very important (see page 17). One of the biggest financial events in life is buying a house.

REBA's Financial Wellbeing Research 2024 found that almost two-thirds (64%) of employers felt that the high cost of rents was a financial wellbeing risk within their workforce, and 58% said the same of high interest rates on mortgages.

Housing costs are an external driver of change to financial wellbeing strategies



Source: Financial Wellbeing Research 2024

Supporting employees through life events linked to housing does not yet align to actions by employers. However, it is driving change in financial wellbeing strategies.

Figures from the ONS Public Opinions and Social Trends, Great Britain: Household Finances survey showed that, by the end of 2023, more than a third of those responsible for rent or mortgage payments in the UK were struggling to afford them, highlighting how significantly the cost of housing has risen in the past couple of years.

CHAPTER 3: CHANGING LEGISLATION

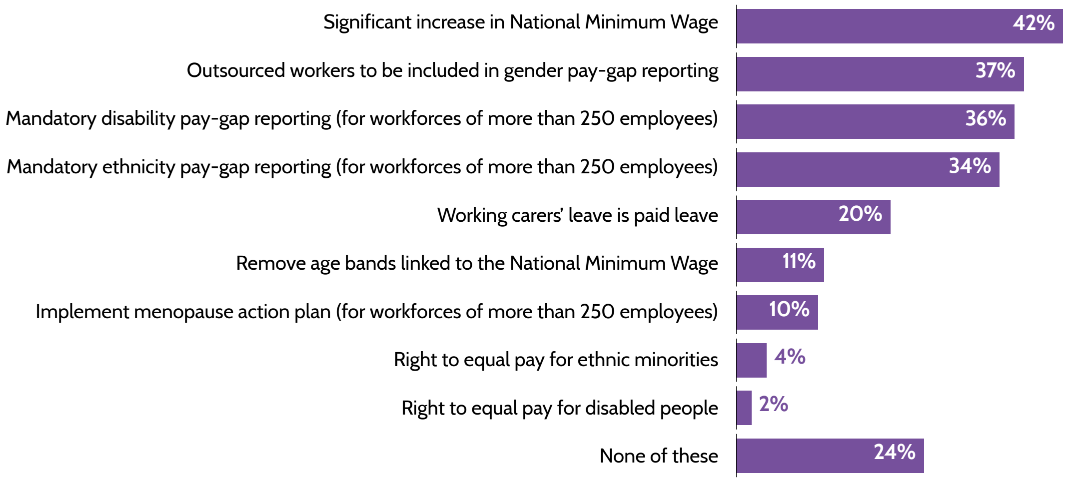
Employment Rights Bill may challenge employers

Business costs may rise as workers gain new entitlements

In July 2024, the Labour government came into power in the UK. Shortly afterwards, in the King's Speech on 17 July, a new Employment Rights Bill was announced. This research, which was conducted prior to the publication of the Bill, aimed to gauge early reaction to the rumoured changes affecting reward and employee benefits.

Figure 17

Proposed pay-related employment rights that may cause difficulties for employers



The government has committed to delivering a "genuine living wage" for working people. Independent body The Low Pay Commission advises government on the yearly National Minimum Wage (NMW) rate, and this year its remit has been changed to factor in the cost of living when recommending rates. In addition, age bands will be removed so that all adults (aged 18 and above) will receive the same NMW rate.

Just under half (42%) of employers see this as a potential challenge, while companies with more than 2,500 employees are much more likely to see the rate changes as causing difficulty. This is likely to be indicative of concerns around not only the direct costs of implementing the new NMW rate to those earning the statutory wage floor but also the ripple effect of pay increases for those paid above the NMW.

It was proposed that pay transparency reporting should expand under new legislation, requiring organisations with more than 250 employees to implement ethnicity and disability pay-gap reporting. Roughly a third of respondents (34% and 36% respectively) indicated that this additional reporting would cause them difficulties.

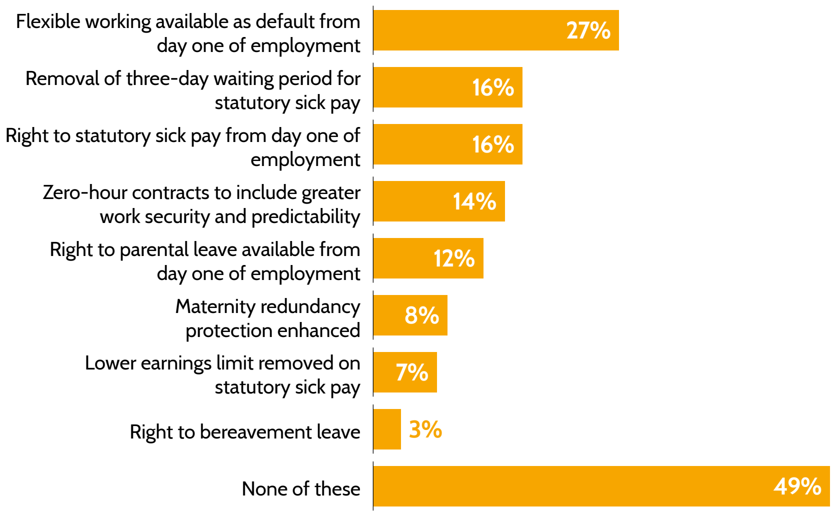
However, this was not included in the Employment Rights Bill 2024-25. Instead, the government has committed to introducing mandatory ethnicity and disability pay-gap reporting in the future as part of its Next Steps to Make Work Pay policy paper.

Employers divided over proposed legislation changes

UK regulation and legislation was flagged as a leading macro issue most likely to cause change to benefits strategies over the next decade (see page 10). Yet just under half (49%) of employers said the Labour government's proposed benefits-related employment rights would not be an issue to their organisation.

Figure 18

Proposed benefits-related employments rights that may cause difficulties



Flexible working offered as a day-one right is of concern to just over a quarter (27%) of employers, with most of this group fearing that it will challenge team resources and company culture. This sits in juxtaposition to those employers looking to embrace greater flexibility within working practices (see page 15).

Proportion of employers concerned about introducing statutory sick pay because of costs

Changes to access to statutory sick pay are of high concern to about one in six employers, with almost all of this group saying that the cost to business would cause difficulties.

Figure 19

Percentage of respondents that said statutory sick pay changes would cause difficulties as a result of costs to the business

The government confirmed in its Employment Rights Bill (see column) that statutory sick pay will be strengthened by removing the lower earnings limit for all workers and cutting out the waiting period before sick pay kicks in. As such, costs will increase for business.

Government moves forward with new Bill

On 10 October, the government launched its Employment Rights Bill 2024-25, which implements many of its key manifesto pledges, as set out in Labour's Plan to Make Work Pay.

The Bill will bring forward 28 individual employment reforms, from ending exploitative zero-hours contracts and fire-and-rehire practices to establishing day-one rights for paternity, parental and bereavement leave. While there are detailed provisions for some elements, other areas will require consultation before being implemented.

New day-one rights will come into effect with the removal of qualifying periods for unpaid parental leave and statutory paternity leave. It also removes the three-day waiting period and lower earnings threshold for statutory sick pay.

Although mandatory ethnicity and disability pay-gap reporting will not be implemented, the Bill allows ministers to make regulations requiring large employers (with 250 or more employees) to create action plans on addressing gender pay-gaps and supporting employees through the menopause. Gender pay-gap reporting will also be extended to cover contract workers.

The Bill also seeks to change the law to make flexible working the default for all, unless the employer can prove it's unreasonable.

The Bill will now make its way through parliament. Because of the number of consultations and regulatory work required, the Bill is unlikely to become law until at least the middle of 2025, with the first changes expected to come into effect in 2026, giving employers time to prepare.

Recommended actions

From Barnett Waddingham

1

Increase benefits flexibility to support diverse employee needs

Given the growing diversity in employee demographics, such as younger workers demanding tailored engagement and older employees facing caregiving responsibilities, organisations should adapt benefits packages to increase flexibility wherever possible. Prioritising benefits for mental health support, chronic illness care and life-event assistance (eg, bereavement or financial counselling) will boost retention across all age groups.

Find out more by reading our new research paper, *The Balancing Act: Are Employers Really Prepared for the Demographic Crunch?*

2

Enhance digital tools for streamlined benefits management

As digital transformation reshapes both business operations and employee expectations, HR teams should leverage digital tools to streamline benefits administration and support data-driven decisions. Implementing digital solutions will not only increase flexibility and personalisation but could also improve operational efficiency and appeal to a tech-savvy workforce.

3

Adapt pay and work flexibility to attract talent

With the tight labour market intensifying competition for talent, consider increasing pay flexibility and offering innovative options like skill-based roles, cross-functional project opportunities and remote working arrangements. This approach can meet employees' demands for flexibility while enhancing the employee value proposition.

4

Prepare for legislative compliance

Proactively align benefits strategies with upcoming legislative changes, such as the recently published Employment Rights Bill, which is likely to affect day-one rights, pay transparency and flexible work policies. Preparing now for these regulatory shifts, including mandatory reporting and support for employee rights, can ensure smoother compliance and reinforce the strength of your employer brand.

About Barnett Waddingham

Barnett Waddingham (BW) is a leading independent UK professional services consultancy with a strong focus on employee benefits and wellbeing. For the third consecutive year, we have been named Employee Benefits Consultant of the Year at the Workplace Savings and Benefits Awards – a recognition of our benefits consulting excellence.

BARNETT WADDINGHAM
beyond the expected

Employers completing REBA's survey

By organisation size, plus sector breakdown

Respondents by organisation size

10,000+ employees

- Amey UK
- Balfour Beatty Group Employment
- Barchester Healthcare
- Cabinet Office
- Centrica
- Connells Group
- Costa Coffee
- Culina Group
- Equans
- GSK
- Haleon
- HSBC
- Kier
- Lloyds Banking Group
- Nationwide Building Society
- Ocado Logistics
- Places for People
- ROCKWOOL
- Sanctuary Group
- Santander
- Screwfix
- Serco Group
- Shell
- Sky UK
- Specsavers
- TJX Europe
- Transport for London
- Travis Perkins
- UCL
- Whitbread
- WPP

5,001 – 10,000

- AECOM
- Baker Hughes
- Bidfood
- Card Factory
- CGI
- Colt Technology Services
- Diageo
- E.ON
- evoke
- Exact Sciences
- Flutter Entertainment
- Grant Thornton UK
- Imperial College London
- KFC UK&I
- Kumba Iron Ore
- MBDA
- Microsoft
- National Highways
- Nottingham Trent University
- RELX
- River Island
- ScottishPower
- Securitas
- Severn Trent
- Sopra Steria
- Thales
- Unilever
- University of Salford
- University of Sheffield
- Virgin Atlantic
- Virgin Money
- Wickes
- Wolseley UK Group
- Wood

2,501 – 5,000

- Alstom
- AO World
- Aspris
- BSI
- C&C Group
- Cisco
- CooperVision
- DACB
- Drax Group
- Dyson
- Havas UK
- Home Group
- Housing 21
- Islington Council
- Kindred
- Monzo
- Peabody
- SCB
- SLB
- Southern Water
- St James's Place
- Survitec Group
- Thera Trust
- University of Derby
- University of the West of England, Bristol

1,001 – 2,500

- 3M
- Airwair International
- All3Media
- AmTrust International
- Arch Capital
- Ardagh Group
- Assurant
- Aurora Care and Education Opco
- B. Braun Medical
- Baker McKenzie
- Beauparc
- Beazley Management
- Bensons for Beds
- Carrier
- Channel 4
- CityFibre
- Cohort
- Columbia Threadneedle Investments
- Convatec
- Cox Automotive
- Cubic Transportation Systems
- Cundall
- Danone
- Dojo
- Environmental Resources Management
- Essity
- First Central Insurance
- Fiserv
- Frontiers
- Gowling WLG
- GreenSquareAccord
- Heineken
- Herbert Smith Freehills
- HICA Group
- HomeServe
- Hyde Housing Association
- Imerys Minerals
- Kainos Software
- Leeds Building Society
- LiveWest Homes
- Lockheed Martin UK
- Lowell
- Maersk Deutschland
- N Family Club
- Natural History Museum

Industry

Industry	%
Financial services	17%
IT, Technology & Telecoms	12%
Manufacturing & Production	11%
Professional services	8%
Utilities & Energy	6%
Engineering & Construction	5%
Media & Entertainment	5%
Retail	5%
Pharmaceuticals & Biotech	4%
Education	3%
Leisure, Travel & Hospitality	3%
Mining, oil and gas	3%
Transport & Logistics	3%
Healthcare	2%

Employers completing REBA's survey

By workforce size

Northern Trust Bank
Ofcom
Oxford Instruments
PageGroup
Pfizer
Principality Building Society
Raytheon UK
Reed In Partnership
Reply
RSPCA
SCC
South East Water
SGS United Kingdom
Shoosmiths
SQA
St Austell Brewery
Stanley Black & Decker
Study Group
Sumo Group
Take-Two Interactive Software
Tate Gallery
Telent Technology
The Billington Group
The Hyde Group
The V&A
Torus
TP ICAP
UNAM – University of Namibia
Wellcome Trust
Wise

500 – 1,000

ACCA
Advanz Pharma
ASCO UK
Aurora Energy Research
Aztec Financial Services (UK)
Ball Corporation
Belmond
BPAS
CITB
Darktrace
Eli Lilly
Erskine Stewart's Melville Schools
G-Research
Grosvenor
Hearst
Highgate
IQUW Group
IWM
Lewis Silkin
Longhurst Group
Lucy Group
M&C Saatchi
Macfarlanes
MAN Truck & Bus UK
Moore Kingston Smith
PIMS
Progress Housing Group
Rabobank
Rolls-Royce SMR
Secure Trust Bank
Sigma Pharmaceuticals
Sinclair Pharma
Taylor Wessing
Teneo
The Donkey Sanctuary
The Royal Mint
Thomas Miller
Together Trust
UCAS
Uniphar
Viatris
Warner Music
Westerleigh Group
Yell

Fewer than 500

AAF
AB World Foods
Adlington Retirement Living
Align Technology
All About Clarity
Atrium Group Services
Audacious Church
Aventum Group
Backbase
Berry Brothers & Rudd
Biomodal
Bluewave
Camellia
CAP Industrial
Celonis
CF Fertilisers
Colgate-Palmolive
Corning
Correla
Creo Medical
Daikin Applied (UK)
DLL
EHC
Enfinium
Enstar Group
Eventbrite
Evergreen Garden Care UK
Eversholt Rail
Games Global
Gordonstoun
GoTo Technologies Ireland
Greenwoods Legal
High School of Dundee
IFCO
Inchcape
Inenco Group
Itron
Langham Estate Management
Logitech
Made Tech
Mapbox
Maucher Jenkins (Jenkins IP)
MDUSL
Microchip
Milliken Industrials
MMGY Global
MOL Europe Africa
more2
MS Amlin Business Services
North London Collegiate School
Oodle Car Finance
Open Banking
Oxygen House
Parts Town UK
Perseus
Portsmouth Water
Presbyterian Church of Wales
Proserv
Redmayne Bentley
Seapeak
Sedbergh School
Silver Cross
Snapchat
Story Homes
Suffolk Family Carers
Synechron
TMF Group
Toyota GB
TRL
T-Systems
Turcan Connell
Twiflex
UK Infrastructure Bank
United Trust Bank
Verifone
Vertical Aerospace Group
Vestey Foods UK
Waste Efficiency
Wealthtime
Wella Company
Woodgate and Clark
Wrigleys Solicitors
Wyndham Hotels & Resorts