

Howden **Employee Benefits**

From insights to impact



Exploring the employee benefit trends
shaping UK SMEs

HOWDEN



YouGov[®]

Howden commissioned YouGov to conduct online interviews among benefits decision-makers in UK small and medium-sized companies (SME).



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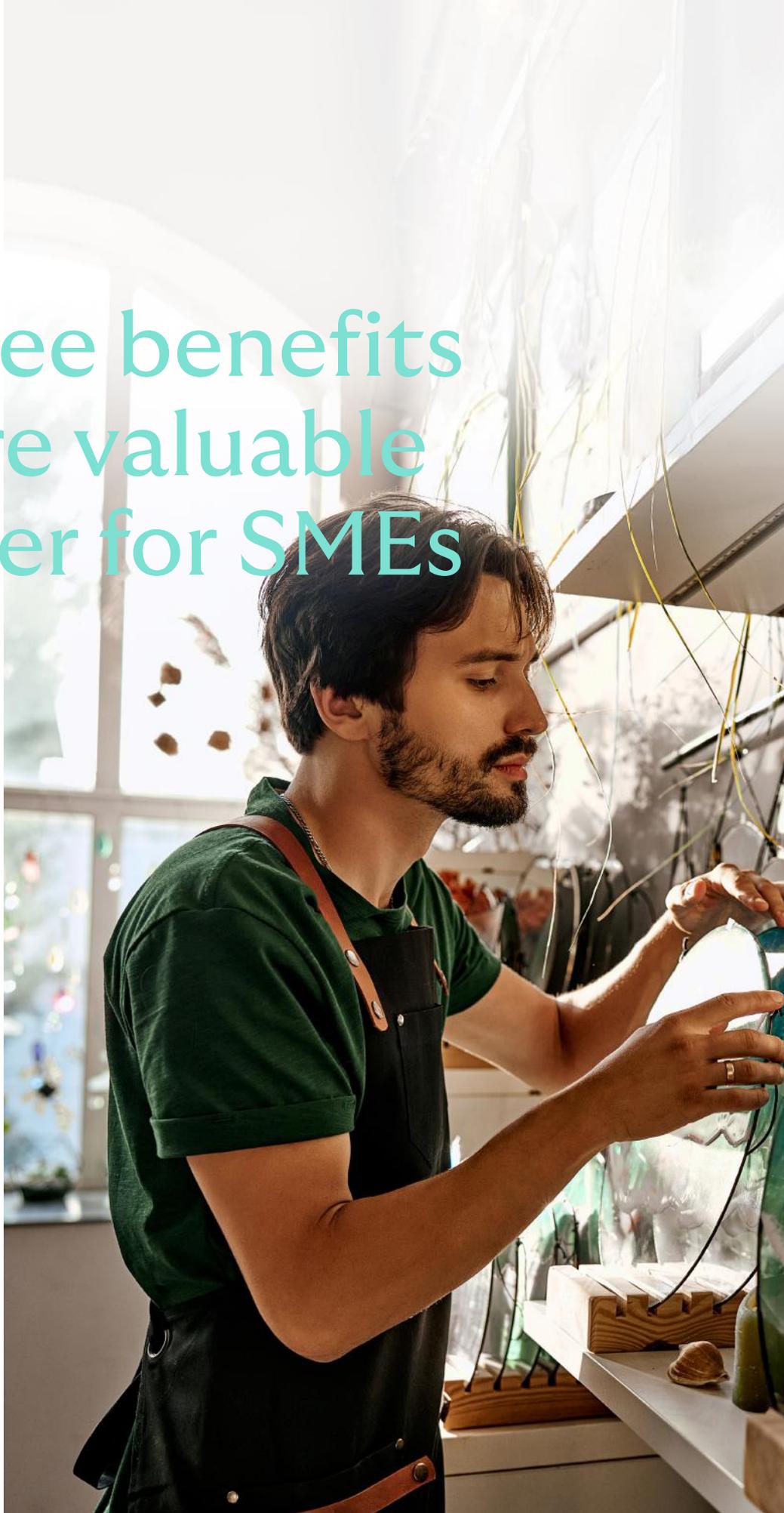
We are delighted to share the findings from our research into employee benefits at UK small and medium-sized companies (SMEs). SMEs are particularly significant to Howden, because we were once one ourselves. That means we understand first-hand the challenges and opportunities that directors and decision-makers face.

Howden might now be a large global organisation, but our roots are still very much in the SME market. We have the teams, expertise, culture and products in place to look after you and your employee benefits needs, for today and for the future.

Mark Fosh

Executive Director, SME
Howden Employee Benefits

Employee benefits are more valuable than ever for SMEs





The last few years have been tough for all sizes of business, at every stage in their development. For SMEs, the vast range of challenges facing business owners means that employee benefits may have been far from top of the priority list for decision-makers.

But there is no doubt that to compete and to grow, SMEs need to be able to attract and retain top quality talent with skills that are often in short supply. They are now finding themselves competing in a talent pool with much larger, better established companies for the same candidates, and employee benefits can be a great differentiator. SME businesses of all sizes and sectors can offer a comparable, or even better, employee benefits package than that offered by a large multinational, if they work with the right partner to support them.

We asked over 900 SMEs with between 1 and 250 employees about their current employee benefits, future plans, and challenges. The findings show that most employers already offer benefits such as pensions and healthcare support, helping people save for the future, and crucially to remain well and productive at work.

Health benefits such as private medical insurance (PMI) are a win-win for employers and employees. Businesses gain from greater productivity through less sickness absence, and if an employee does become ill, from a faster return to work. Employees know that their employer is committed to supporting their wellbeing and have the peace of mind of accelerated good quality care should they become sick.

For the future, SMEs of all sizes are keen to explore more choice with their benefits. Alongside the core areas of pensions and healthcare, a flexible benefits package enables employees to choose options that are relevant to their lifestyle and circumstances. As a business grows and employee profiles become more diverse, this is a great way of offering tailored choices that will appeal to first-time workers, parents and carers, employees preparing for retirement and many others.



The right support to make change happen

Depending on scale, SME businesses will have a diverse range of levels of expertise when it comes to implementing these ambitions. Plans risk getting put on hold or given a lower priority than other business activities and lose momentum.

By partnering with a dedicated benefits specialist that understands the priorities, challenges and ambitions of SME businesses, employers and business owners can focus on the big picture of business growth, while knowing that current and future employee benefit needs are being well managed.

That relationship has to work for the long-term too, as businesses scale up, plans change and the workforce becomes more diverse. Howden Employee Benefits understands the wide range of challenges that SMEs of all sizes face, as we work with them every day. We're experts in supporting SME companies at whatever stage they are at, whether it is creating manageable benefits solutions that let SMEs compete with much larger companies for top quality expertise, harmonising benefit structures as businesses integrate through merger or acquisition or simply reviewing current arrangements to maximise the value you derive from them.

So whatever stage your business is at in its development, we can build a benefits strategy that will help you grow, attract top talent and create a positive, productive business for the future.

About the research

Who we asked...

901

benefits decision-makers in UK SMEs

520

SMEs with up to 30 employees (for this report we have referred to these as small SMEs)

198

SMEs with 30 to 99 employees (mid-sized SMEs)

183

SMEs with 100 to 249 employees (larger SMEs)

Responsibility for benefits

All respondents had responsibility, either jointly or solely, for employee benefits decision-making.

All SMEs



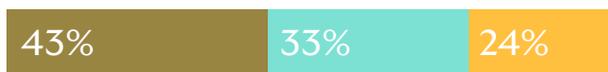
Up to 30 employees



30-99 employees

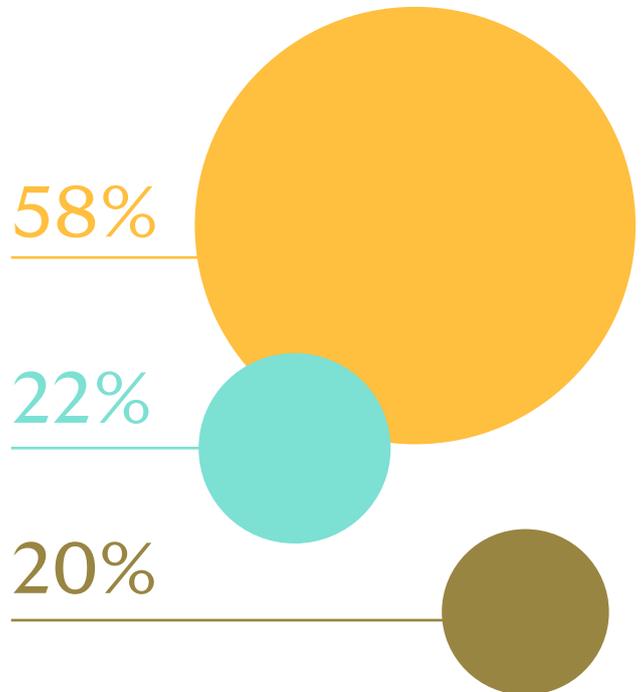


100-249 employees



- Solely responsible
- Jointly responsible with others
- Involved but others are primarily responsible

Business size



- Up to 30 employees
- 30-99 employees
- 100-249 employees

About the respondents

- Job titles include Owner/Proprietor, Partner/Managing Partner, CEO, Chief Operations Director and Managing Director.
- Industry sectors including manufacturing, construction, professional, scientific and technical activities, information and communication, and financial and insurance activities.

What we asked

- Howden Employee Benefits commissioned YouGov to conduct online interviews among benefits decision-makers working in startup businesses in the UK.



Overall findings



What benefits do SMEs offer?

Current
employee benefits

We asked: Which, if any, of the following benefits are available to all or some of the employees in your organisation?

85%

Workplace
pension
scheme

53%

Private
medical
insurance

49%

Mental health
and wellbeing
support

46%

Group life
assurance
(Death in service)

35%

Virtual GP

33%

Lifestyle/
gym discounts

33%

Critical illness
insurance

32%

Dental
insurance

29%

Group
income
protection

28%

Flexible benefits
package

where employees choose
the benefits that mean
the most to them

27%

Key person
insurance

26%

Health cash
plan

15%

of SMEs
do not offer
a workplace
pension

Workplace pensions

Auto-enrolment legislation says that employers of all sizes must offer eligible employees a workplace pension scheme. Although most (85%) SMEs already do so, that means there are around 15% who are not fulfilling their legal duties. Any SMEs without a workplace pension should address this immediately to avoid reputational risk and potentially significant fines for non-compliance.

Future employees will also now expect to be provided with a pension as part of their workplace benefits, so offering a good quality scheme has great advantages for recruitment and retention.

84%

of larger SMEs
offer private
medical insurance

Health and wellbeing

Although around half of SMEs overall offer health and wellbeing benefits, there are clear differences by company size. For example, 84% of larger SMEs offer PMI, compared to just 35% of SMEs with less than 30 respondents. This pattern is repeated for other benefits such as group life assurance, where 79% of larger SMEs provide cover, but only 28% of small SMEs do so.

Mental health and wellbeing support is a priority, with almost half (49%) of all SMEs now providing this benefit. Again, the extent of support relates directly to business size, with 30% of small, 68% of mid-sized and 84% of larger SMEs offering support.

Automatic enrolment – why every business must get it right

Since 2017, every business of every size is legally required to provide a pension scheme and automatically enrol eligible employees into it (termed auto-enrolment).

Failure to do this can attract hefty fines. The Pensions Regulator, which oversees auto-enrolment compliance, can charge a fixed penalty of £400 – but can also apply a daily escalating penalty from £50 to £10,000.

There is also the risk of reputational damage, which will make it more difficult to attract and retain high quality talent. Our research shows that across all sizes of SME businesses, workplace pensions are the benefit most likely to attract potential candidates, so it's vital to get this right both from a legal and business growth perspective.

Are benefits having an impact?

81%

of larger SMEs said their benefits are driving a productive and healthy workforce

We asked: To what extent do you think the employee benefits provided by your organisation impact each of the following areas?

A productive and healthy workforce

59%

Improving company culture and morale

56%

Attracting and retaining talent

55%

Mental wellbeing of employees

55%

Physical wellbeing of employees

54%

Lower staff turnover

52%

Just over half of all SMEs believe their employee benefits are having a wider effect on their business. This is very positive, with SMEs of all sizes making the link between benefits and a productive and healthy workforce in particular.

Given that larger SMEs are more likely to offer health and wellbeing benefits, it's no surprise that the bigger the business, the greater the perceived impact. Over four out of five (81%) of larger SMEs said that their benefits are driving a productive and healthy workforce.

“

There's a common misconception that employee benefits like group private medical insurance or life assurance are only suitable for large businesses. This simply isn't true. With NHS waiting lists growing and employee wellbeing becoming more critical than ever, these benefits are now essential tools for businesses of all sizes, including SMEs.

Thanks to our strong relationships with leading insurers, we can negotiate exclusive, tailored solutions for SMEs at every stage of growth. This allows SMEs to compete with much larger organisations in offering high-quality, comprehensive benefits to employees, a crucial factor in attracting and retaining top talent.

Sacha Cooke

Head of SME

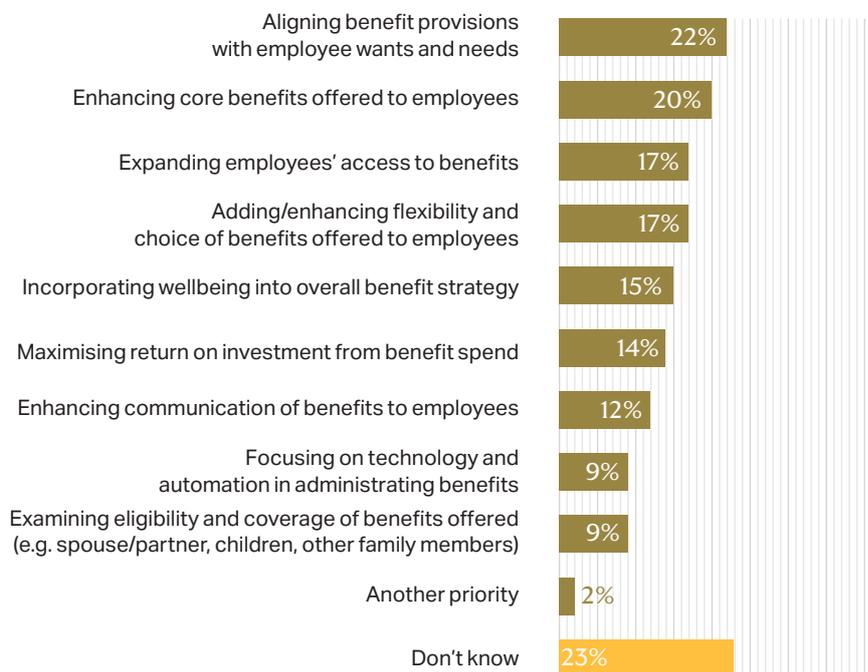
Howden Employee Benefits



What are SMEs' benefits priorities?

We asked: Which of the following do you see as top priorities for how your business offers benefits to employees over the next two years?

24%
of larger businesses are focused on flexibility of benefit choice



Employers need to have a long-term plan for their benefits strategy, to make sure they are spending budget effectively and focusing on employee needs. We asked participants to pick their top two priorities for benefits over the next two years.

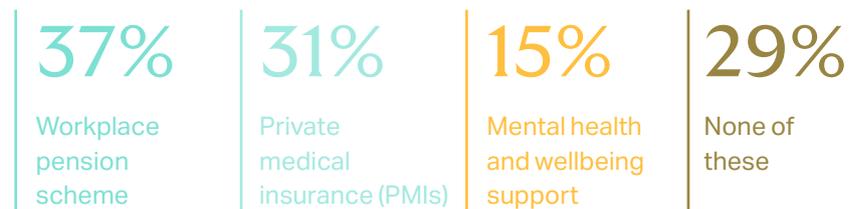
Developing a strong core benefits offering and meeting employees' needs are priorities for all sizes of SME. Larger businesses are also more focused on flexibility of choice, with 24% citing this as a priority compared to 17% overall.

Small SMEs are less certain about their benefits priorities than other respondents, with 35% saying they don't know what their priorities are for the future, compared to just 5% of larger SMEs and 11% of mid-sized respondents.

Are benefits fit for purpose?

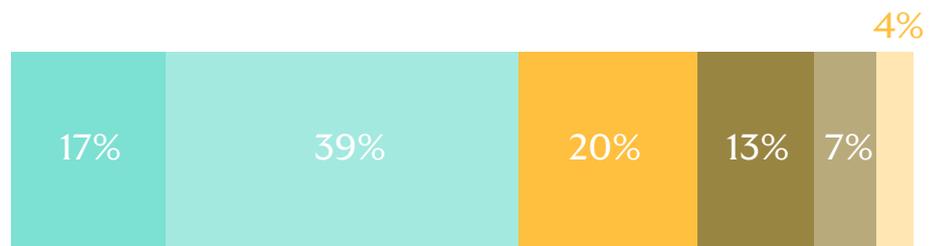
Top three benefits that potential candidates ask about

We asked: When recruiting, what specific employee benefits are potential hires frequently inquiring about or seeking?



Meeting employees' needs

We asked: To what extent do you agree that the benefits your organisation currently offers to employees are meeting everyone's needs?



- Strongly agree
- Somewhat agree
- Neither agree or disagree
- Somewhat disagree
- Strongly disagree
- Don't know

Across SMEs overall, 56% of businesses are confident that their benefits are meeting employees' needs. Larger SMEs are the most positive, with 71% saying that they strongly or somewhat agree that their offering is aligned with what employees want.

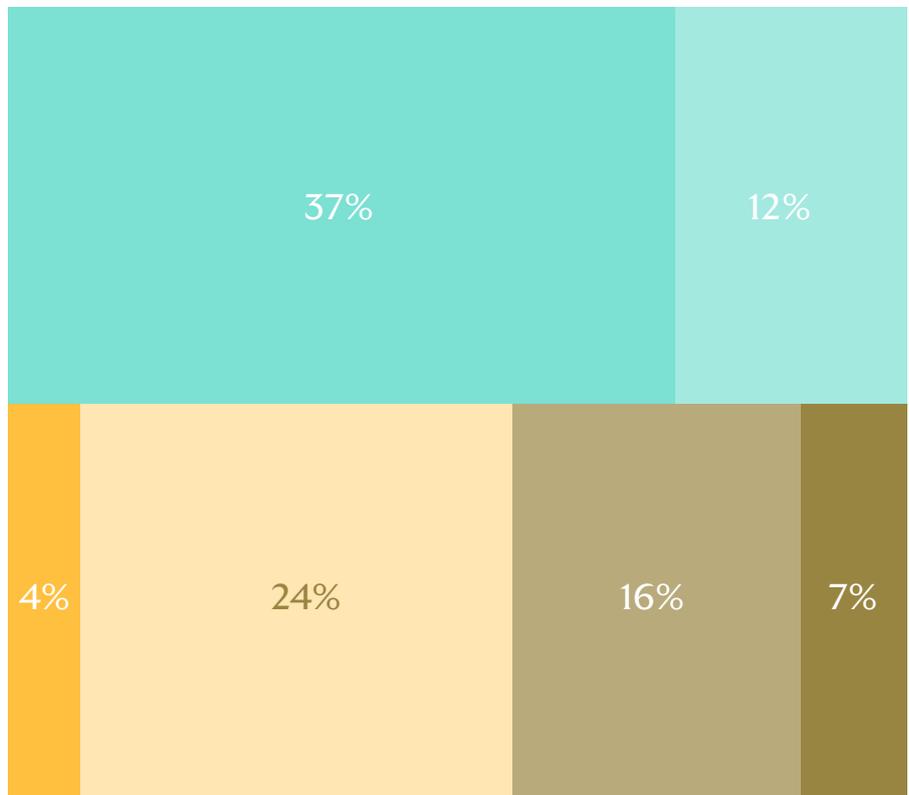
However, one in five (20%) of all SMEs feel that they have work to do to make sure benefits match employee needs. That could be a sign that as businesses grow, they need to evolve their benefits strategies to meet more diverse needs, or that they aren't yet fully aware of what employees want. Working with a broker such as Howden Employee Benefits can help any SME create a future-proof benefits plan that grows and changes with their business.

What are SMEs' future benefits plans?

Anticipated changes to benefits

- Extensive change required
- Significant change needed
- Some change necessary
- Minimal change required
- No change needed
- Don't know

We asked: To what extent, if at all, do you believe the benefits your organisation offers employees (both existing and new) will need to change in the next few years?



77% recognise that they need to make at least some change to their benefits strategy

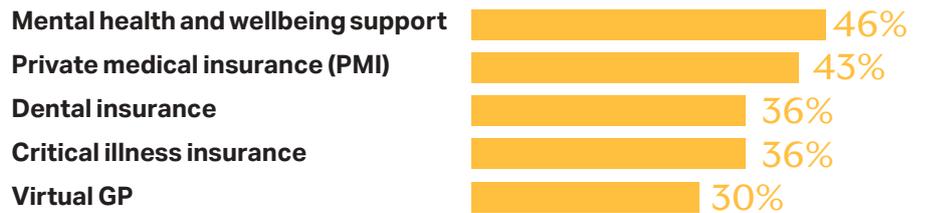
Over three quarters (77%) of respondents recognise that they need to make at least some change to their benefits strategy, with 16% believing that significant or extensive rework is required. Large and mid-sized SMEs are more likely to believe they need to make change than small SMEs, with 88% of both sizes of business expecting to have to rethink their benefits.

Almost a quarter (23%) of small SMEs say that they don't need to make any change at all, compared to just 8% of mid-sized and larger SMEs. This could reflect concerns about benefit costs, or the positive message that smaller businesses are more in touch with employees day-to-day.

Benefits that SMEs plan to introduce or change in the near future

We asked: Which, if any, of the following benefits do you think will need to be introduced or changed in the near future in your organisation? (top 10 answers shown)

Health and wellbeing



Flexible benefits and discounts



Pensions



Ensure employees have savings for retirement, promoting long-term financial security.

Protection

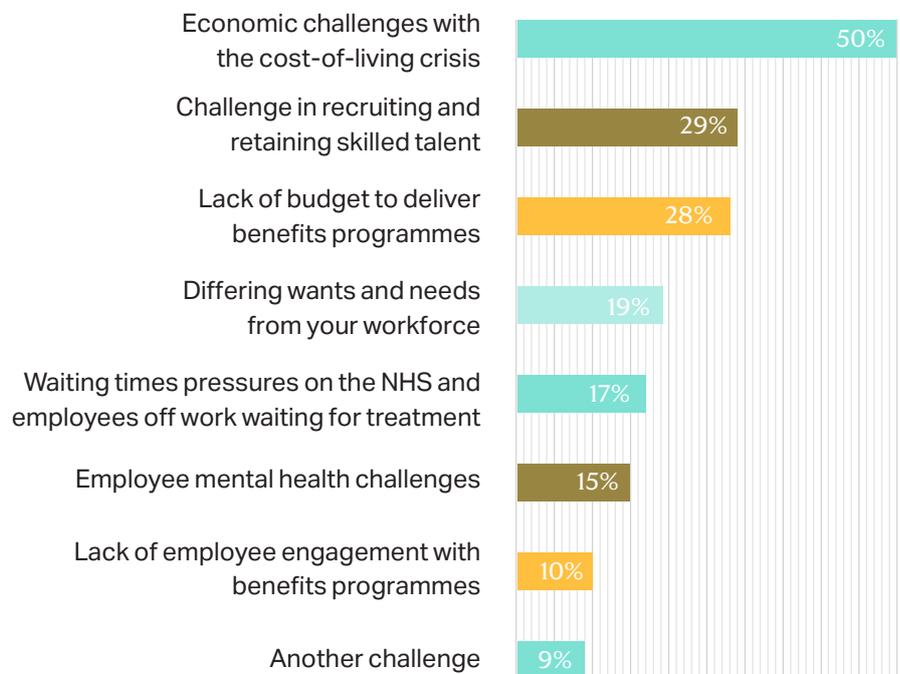


SMEs are focused on future benefits flexibility, with 29% saying that they will introduce flexible benefits for the first time, and 18% intending to extend their offering. More than a quarter (26%) plan to introduce PMI, perhaps reflecting the growing importance of employee wellbeing, its link to productivity, and employee expectations in job interviews.

What are the benefits challenges for SMEs?

Factors impacting business and the workforce

We asked: Which two factors do you think are having the biggest impact on business and your workforce right now?



After half a decade of challenging economic conditions, the cost of living continues to have a big effect on the workplace. We asked respondents to choose the two factors that are having the most significant impact on their business and employees. Around half of respondents in every size of SME identified economic factors as a key challenge.

Challenges in recruiting and retaining skilled talent is also impacting SMEs of all sizes, with around a third of businesses claiming this is affecting them. Offering a competitive employee benefits package can help SMEs attract and retain people with the skills and experience their business needs to grow.

Key actions for SMEs

01.

Keep on top of legislation

there are key requirements for all SMEs, such as offering a qualifying pension scheme in line with auto-enrolment laws. Not complying can lead to fines and reputational damage, so it's crucial to remain up to date with current legislation.

02.

Be bold when exploring benefits

There are innovative, affordable employee benefits options for any size of SME, both for core benefits and flexible packages. Howden Employee Benefits can work with you to find products that fit your needs and can grow as your business expands.

03.

Look after employee health and wellbeing

Benefits such as private medical insurance are highly valued by employees, and potential hires recognise the important role employers can play in supporting their health. Talk to a broker like Howden Employee Benefits to access insurance products that are tailored to the needs and budgets of small businesses, with no compromise in cover.

04.

Think about flexibility

Employees have diverse needs and will find value in different types of benefits. By offering a flexible package, you can be comfortable that your people will have access to benefits that really mean something to them. That helps with employee retention, as well as attracting new candidates to a business.

Up to 30 employees
(small SMEs)



What benefits do small SMEs offer?

Current
employee benefits

We asked: Which, if any, of the following benefits are available to all or some of the employees in your organisation?

80%

Workplace
pension
scheme

35%

Private
medical
insurance

30%

Mental health
and wellbeing
support

28%

Group life
assurance
(Death in service)

20%

Virtual GP

19%

Lifestyle/
gym discounts

18%

Critical illness
insurance

18%

Dental
insurance

18%

Group
income
protection

14%

Flexible benefits
package

where employees choose
the benefits that mean
the most to them

14%

Key person
insurance

12%

Health cash
plan

20%

of employers don't offer workplace pension

Workplace pensions

Only 80% of small SMEs provide a workplace pension. This is despite legal requirements for all businesses to auto-enrol their employees into a compliant scheme with suitable pension contributions.

Based on this finding, as much as 20% of employers may not be aware of their legal obligations. Addressing auto-enrolment compliance should be a key priority for any business that does currently not meet the regulations and where a business is compliant, there is an implicit duty of care to ensure that their pension scheme is delivering the best member outcomes possible.

35%

offer private medical insurance to employees

Health and wellbeing

Around a third of respondents offer health-related benefits, including private medical insurance, and mental health and wellbeing support. The impact on a small business of employee sickness, especially if it requires a long-term absence from work, can be significant and costly.

Just over a quarter (28%) offer group life assurance. This is a relatively affordable benefit that gives peace of mind to employees and their families, with many offering extra support benefits for areas like mental health and wellbeing through an included EAP and virtual GP services, for example.



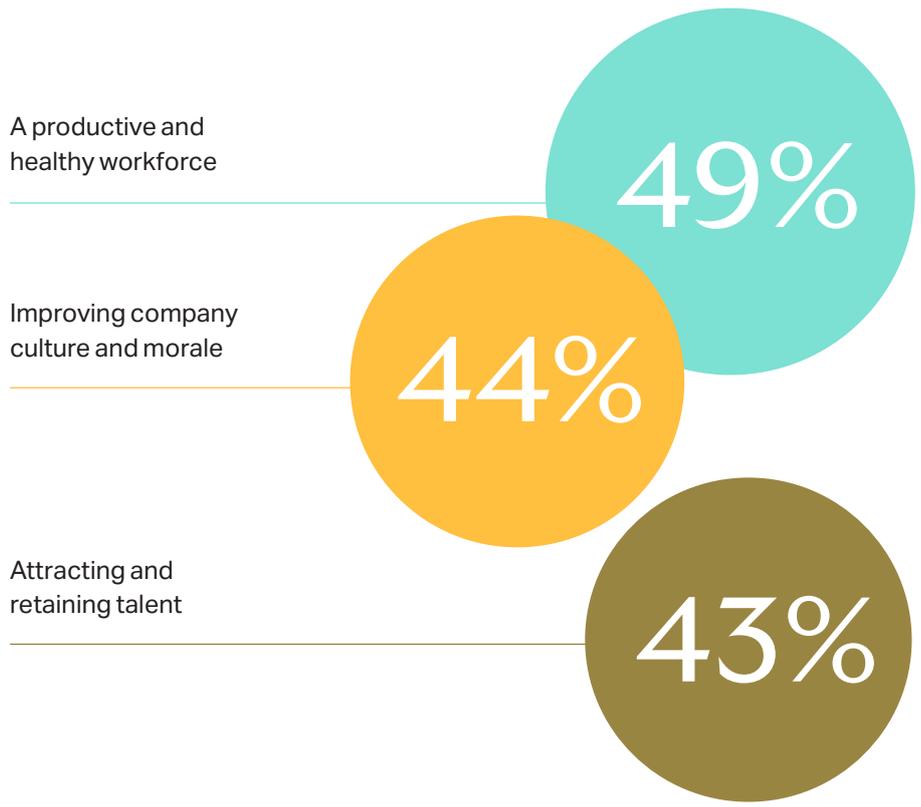
Are benefits having an impact?

Top three ways benefits impact small SME employers

We asked: To what extent do you think the employee benefits provided by your organisation impact each of the following areas?

Almost half (49%) of small SMEs see the correlation between a productive and healthy workforce, and the benefits that they offer. PMI, mental health and wellbeing support, as well as other benefits such as virtual GPs support this.

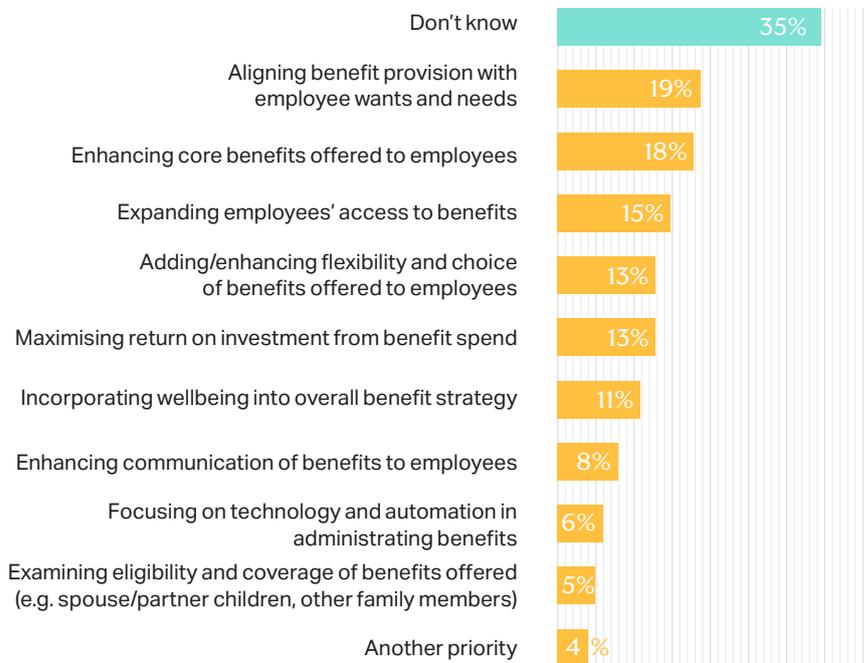
49%
of small SMEs see the correlation between a productive and healthy workforce, and the benefits that they offer



What are small SMEs' benefits priorities?

Top priorities for the next two years

We asked: Which of the following do you see as top priorities for how your business offers benefits to employees over the next two years?



35%
of small SMEs don't know what their priorities are for employee benefits

More than a third (35%) of small SMEs don't know what their priorities are for employee benefits. This could be because they are relatively new to employee benefits or are still getting to grips with ways to improve their strategy. By taking a more strategic approach to benefits planning and thinking about future priorities, small SMEs can make sure that the investment they make in benefits is as effective as possible and helps them to address priorities such as attraction and retention.

Enhancing benefits communication or extending benefits coverage – such as including a spouse or partner within benefits – are very low priority. Small SMEs might be able to communicate benefits by word of mouth or support employees' wider families on an ad hoc basis if needed, but as they increase in size, this may no longer make sense. Thinking about communications that will work for a growing workforce, and planning for a more diverse workforce in the future could be good next steps.

Are benefits fit for purpose?

Top three benefits that potential candidates ask about

We asked: When recruiting, what specific employee benefits are potential hires frequently inquiring about or seeking?

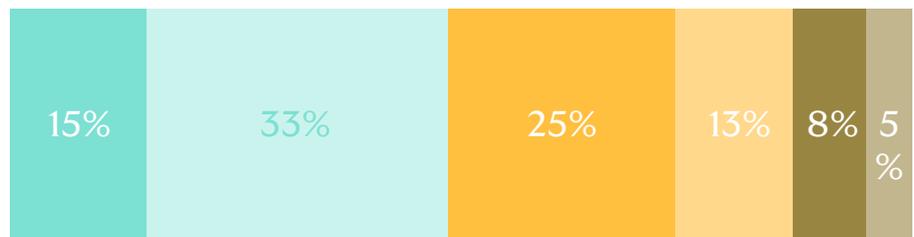


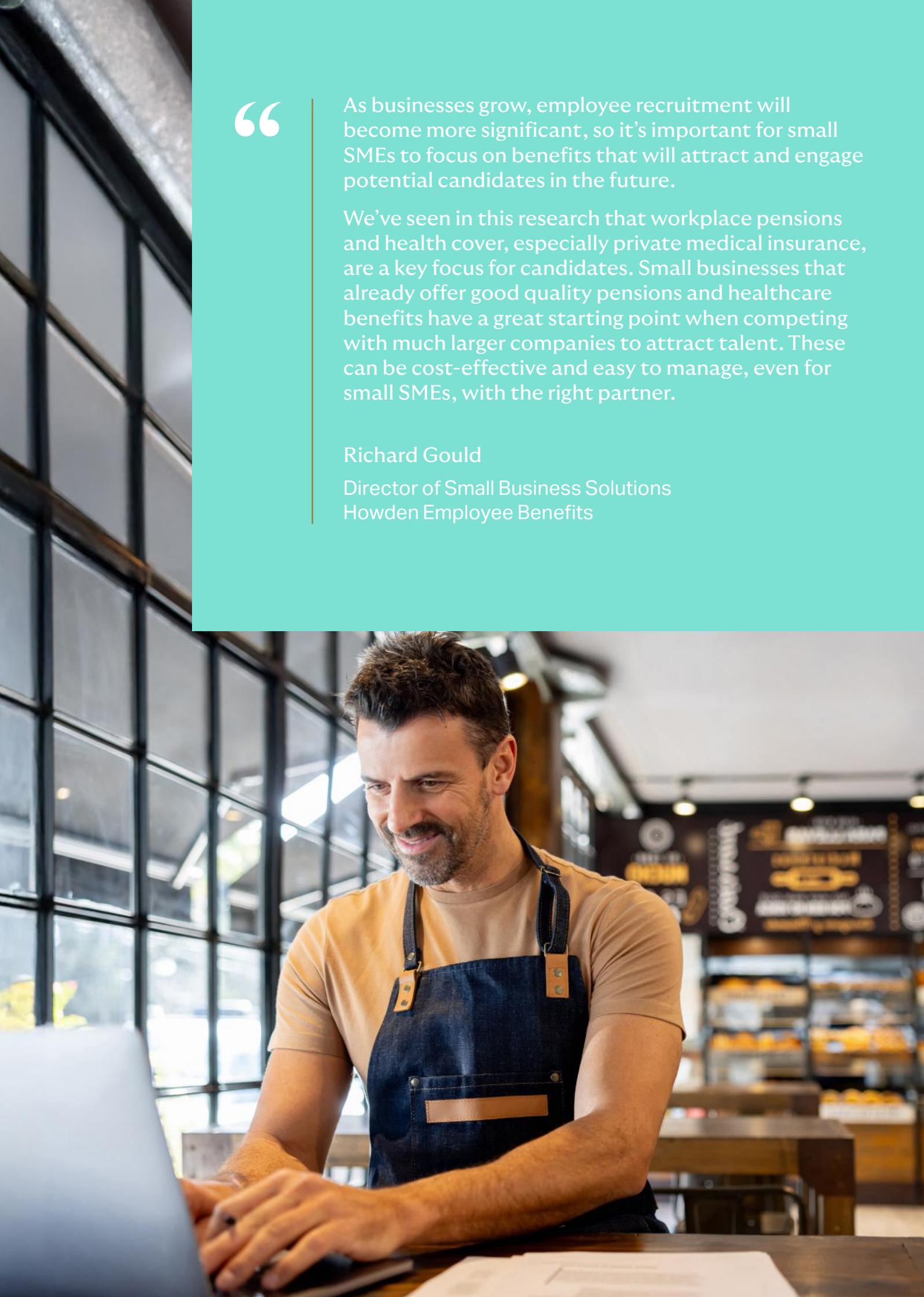
Meeting employees' needs

We asked: To what extent do you agree that the benefits your organisation currently offers to employees are meeting everyone's needs?

Just under half of respondents agree that their benefits are meeting everyone's needs. But over a quarter (26%) don't know or disagree. There is more that small SMEs can do to make sure that their benefits are really delivering for employees, especially as we've seen that aligning benefits with employees' wants and needs is a priority for almost one in five (19%).

- Strongly agree
- Somewhat agree
- Neither agree or disagree
- Somewhat disagree
- Strongly disagree
- Don't know



A man with a beard and short dark hair, wearing a tan t-shirt and a dark blue denim apron, is sitting at a wooden table in a cafe. He is looking down at a laptop computer, with his hands on the keyboard. The background shows a large window with a grid pattern and a menu board with various items and prices. The lighting is warm and indoor.

“

As businesses grow, employee recruitment will become more significant, so it's important for small SMEs to focus on benefits that will attract and engage potential candidates in the future.

We've seen in this research that workplace pensions and health cover, especially private medical insurance, are a key focus for candidates. Small businesses that already offer good quality pensions and healthcare benefits have a great starting point when competing with much larger companies to attract talent. These can be cost-effective and easy to manage, even for small SMEs, with the right partner.

Richard Gould

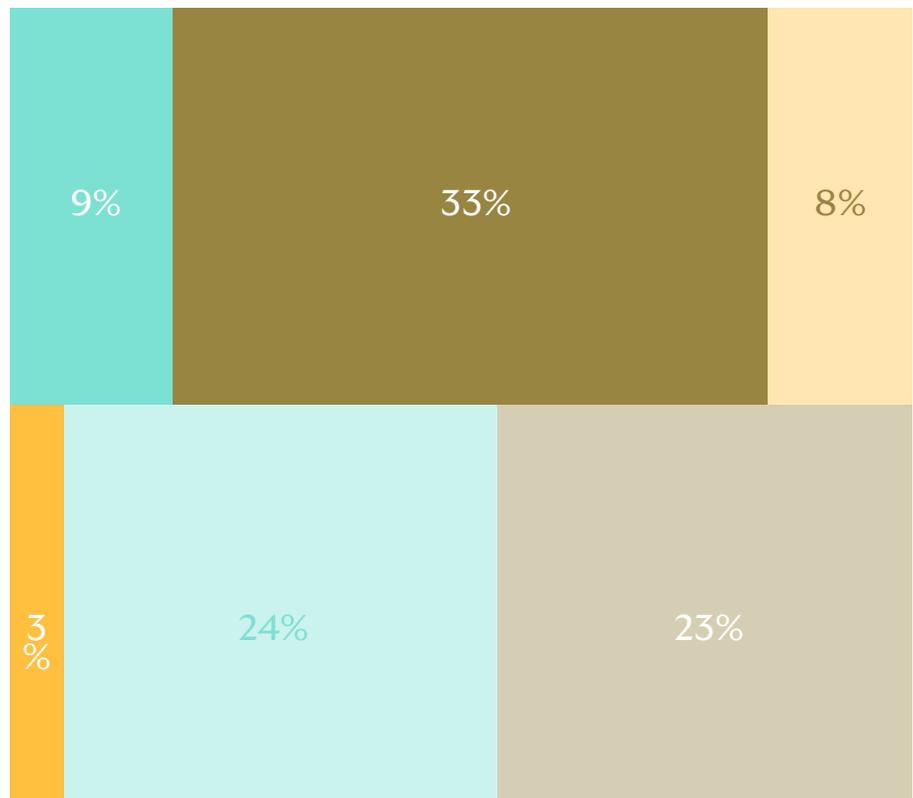
Director of Small Business Solutions
Howden Employee Benefits

What are small SME's future benefits plans?

Anticipated changes to benefits

We asked: To what extent, if at all, do you believe the benefits your organisation offers employees (both existing and new) will need to change in the next few years?

- Extensive change required
- Significant change needed
- Some change necessary
- Minimal change required
- No change needed
- Don't know



70%
of businesses believe their benefits will need to change in the next few years



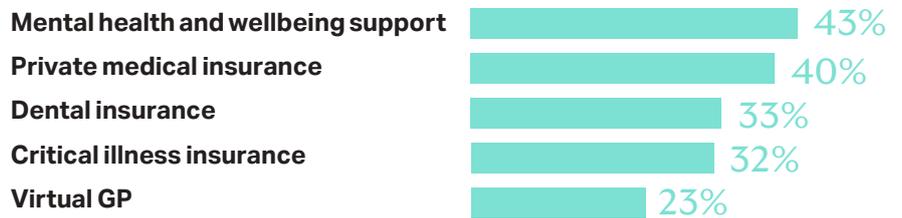
For small SMEs, protection benefits such as group life assurance (GLA) are rare. For example, just over a quarter (28%) of small SMEs offer GLA.

On the surface, GLA looks like a benefit that only comes into its own in the very worst of circumstances. But with the right product, GLA and also group income protection can provide day-to-day value, such as access to an Employee Assistance Programme or virtual GP for employees.

Benefits that small SMEs plan to introduce or change in the near future

We asked: Which, if any, of the following do you think will need to be introduced or increased in the near future in your organisation? (top 10 answers shown).

Health and wellbeing



Flexible benefits and discounts



Pensions



Protection





Private medical insurance and mental health and wellbeing support are high on the list of future plans, possibly boosting the 35% of small SMEs that currently offer PMI and 30% with mental health and wellbeing support. Employers may already be recognising the cost to business of mental ill-health with employees unable to work as they wait for NHS treatment or seeing increased employee expectations around workplace wellbeing benefits.

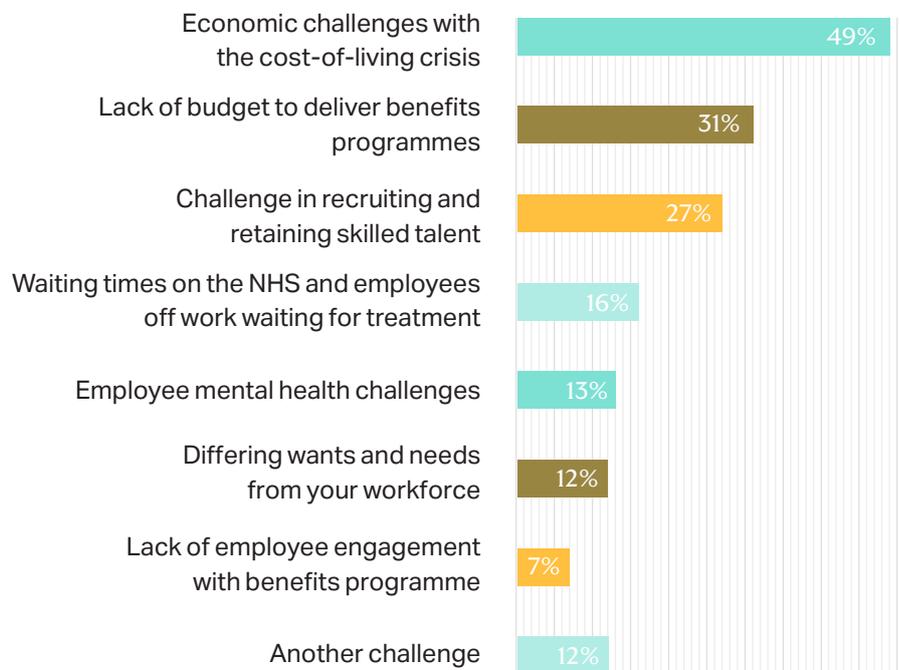
Four in ten small SMEs are focused on flexible benefits as part of their future strategy. This is a definite area of growth, given that only 14% say they provide flexible benefits at present. Supporting a more diverse range of benefits as a business grows enables employees to choose what's important to them, and the right platform can be easy to manage, even for time-poor small businesses.

Only 35% plan to introduce or change their workplace pension scheme. This is surprising, given that almost a third of small SMEs (32%) say that they are asked by potential candidates about the pension scheme at interview, and 20% do not appear to offer a company pension at present. Compliance with auto-enrolment legislation is a crucial hygiene factor for any benefits strategy, but demonstrably having a good quality pension scheme can be a great differentiator for hiring future talent.

What are the benefits challenges for small SMEs?

Factors impacting business and the workforce

We asked: Which two factors do you think are having the biggest impact on business and your workforce right now?



All employees and every business will have been affected in some way by the challenging economic conditions of the last few years. This is bound to shape employers' and employees' current thinking about their benefits.

A lack of budget to deliver benefits programmes could be linked to economic conditions as well as competing business priorities, especially in the early years of a business. But employers don't have to address their entire benefits wish-list at once. By developing a multi-year strategy, employers can use their budget to meet both employees' needs and business priorities over time.

Employers can also review the benefits they already offer to see if there are cost savings or efficiencies. However, it's important to think carefully and discuss with your consultant before cancelling or reducing benefits – this could hit employee engagement and impact recruitment or retention.

Key actions for small SMEs

01.

Be compliant

as an absolute minimum, make sure you are meeting legal requirements, such as offering a pension scheme for auto-enrolment. Stay ahead of changes in legislation (for pensions and wider benefits) either by developing expertise in-house, or by partnering with an employee benefits broker. We will always know the latest on legislation and can help small businesses meet their obligations.

02.

Understand why you offer benefits

ask yourself how employee benefits will help the organisation grow existing talent, recruit new skills and experience, and fulfil its broader business objectives. Identify what your long-term benefits plans are and build a strategy to achieve those goals over time, when cost and business time allows.

03.

Meet employee needs

even with a small workforce, flexible benefits programmes alongside core benefits such as pensions and health cover, can help employees choose options that meet their personal priorities. This supports employee retention, holding onto crucial skills and experience.

04.

Think about future talent

plan for benefits that will help with talent recruitment as well as retention. That could mean exploring what other companies offer that are trying to attract the same skills and making sure you can compete with them. Howden's small business experts can help you build an affordable, sustainable benefits package that puts a small SME on a par with much bigger companies.

Our expert knowledge and commitment to SME businesses means we have developed a range of products and services with enhanced terms and features allowing you to compete with much bigger employers. Come and talk to us about the benefits that these could bring to your business.

30-99 employees
(mid-sized SMEs)



What benefits do mid-sized SMEs offer?

Current
employee benefits

We asked: Which, if any, of the following benefits are available to all or some of the employees in your organisation?

93%

Workplace
pension
scheme

72%

Private
medical
insurance

68%

Mental health
and wellbeing
support

63%

Group life
assurance
(Death in service)

46%

Virtual GP

46%

Lifestyle/
gym discounts

44%

Critical illness
insurance

44%

Dental
insurance

41%

Group
income
protection

39%

Flexible benefits
package

where employees choose
the benefits that mean
the most to them

37%

Key person
insurance

33%

Health cash
plan

7%

of businesses still say they do not offer a pension

Workplace pensions

As with other sizes of SME, mid-sized businesses most widely offered benefit is a pension – not least because all organisations must comply with auto-enrolment regulations (see page 15). In this light, it is surprising to see that 7% of businesses still say they do not offer a pension.

72%

of businesses provide private medical insurance to employees

Health and wellbeing benefits

Healthcare benefits such as private medical insurance (PMI) and mental health and wellbeing support are also high priority. Nearly three quarters (72%) of mid-sized SMEs provide PMI to employees – a figure that dramatically increased over the post Covid years and reflects the increasing importance of employer-sponsored healthcare both for employees and employers.

Flexible benefits are surprisingly low on the list of benefits that mid-sized SMEs offer. Giving employees choice can be a great way of making benefits more valuable and boosting engagement.

Why health benefits matter for SMEs

Employee ill-health and absence can have a huge impact on productivity. The Chartered Institute of Personnel and Development estimates that the average rate of employee absence is currently around 7.8 days per year.

This is a challenge for any business* – but for SMEs, the impact is magnified. Losing a key employee to long-term sickness can have a huge impact on a mid-sized business and reduced productivity across the workforce limits business growth.

By offering benefits that help employees remain healthy and return to work more quickly if they are sick, employers can help everyone perform at their best and protect the business from losing access to essential skills.*



* www.cipd.org/uk/views-and-insights/thought-leadership/cipd-voice/sickness-absence-rate-jumps/

Are benefits having an impact?

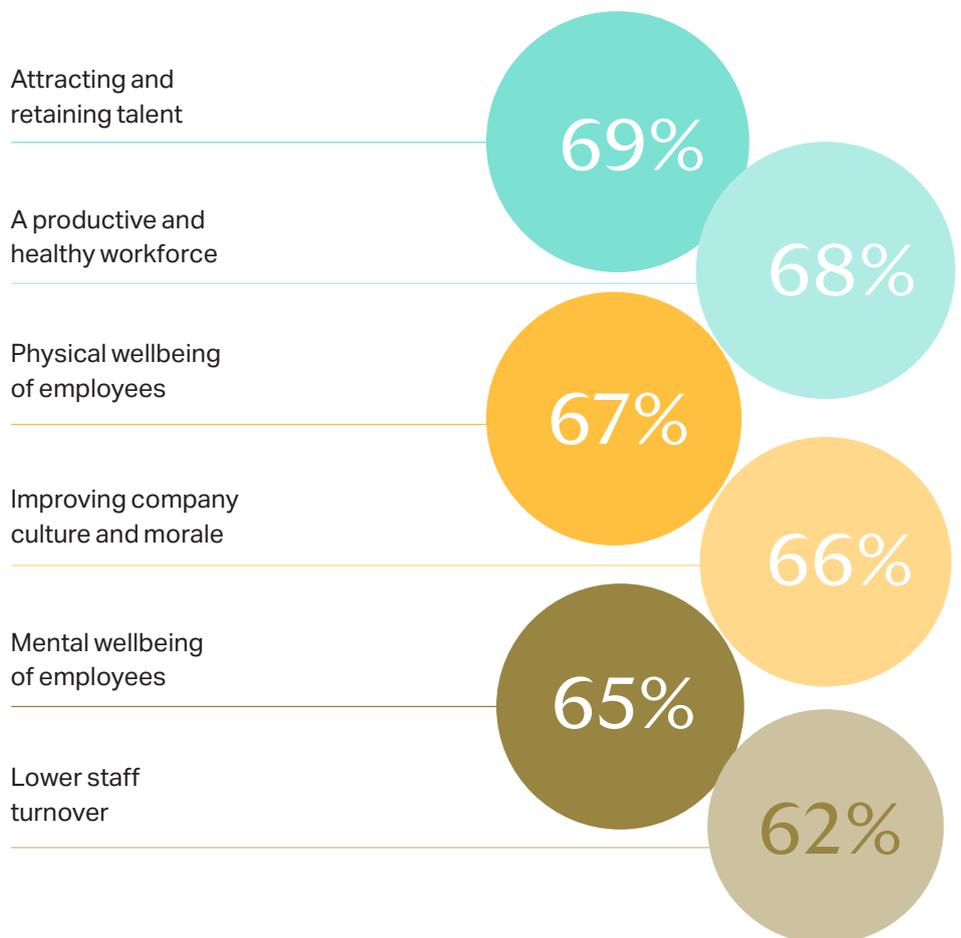
Top ways benefits impact mid-sized SME employers

We asked: To what extent do you think the employee benefits provided by your organisation impact each of the following areas?

Mid-sized SMEs feel that their benefits are having a powerful impact across many aspects of their business. Around two-thirds of organisations responded positively to every measure we asked about.

Although 69% see their benefits as a way of attracting and retaining talent, this falls to 62% who believe it reduces staff turnover. Does this mean that some employees are not seeing the full value of their benefits, or that their package isn't yet compelling enough to encourage them to stay? The right communication is a critical part of any good benefits package and ensures that employees make the most of all ancillary benefits.

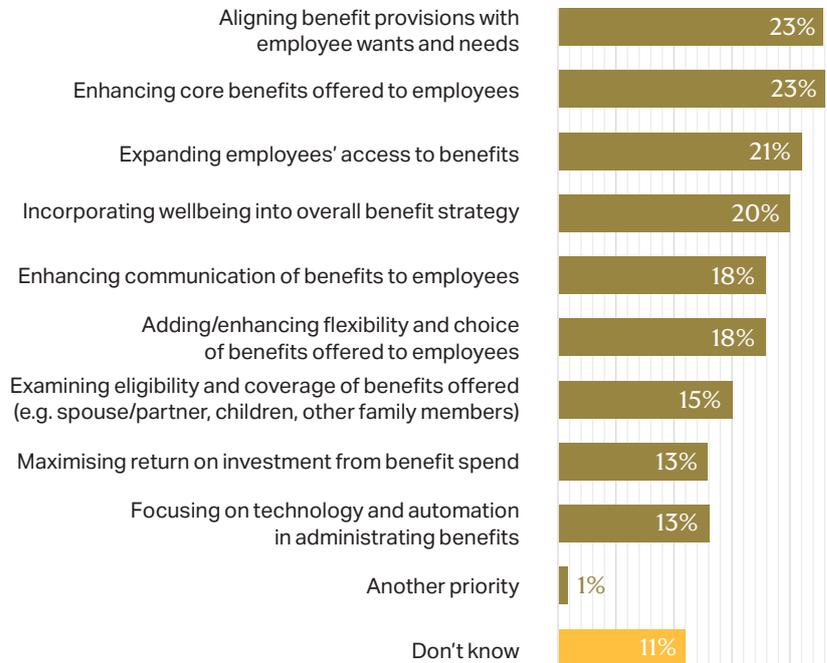
62%
of businesses believe it reduces staff turnover



What are mid-sized SMEs' benefits priorities?

Top priorities for the next two years

We asked: Which of the following do you see as top priorities for how your business offers benefits to employees over the next two years?



23%
want to align benefit provision with employee wants and needs over the next two years

The top three priorities for mid-sized SMEs all link to improving the quality of employees' benefits experience. That includes aligning what's on offer with real employee needs and making sure employees can access benefits, especially core offerings like pensions and healthcare.

Incorporating benefits that look after the wellbeing of employees into the benefits strategy is also a priority for this group (almost on a par with large SMEs) – suggesting that they recognise the impact that employee sickness and worries can have on their business. Even with a larger employee base, losing a key senior employee can have a significant impact on the whole company, and productivity will be affected by illness from any employee.

Are benefits fit for purpose?

Top three benefits that potential candidates ask about

We asked: When recruiting, what specific employee benefits are potential hires frequently inquiring about or seeking?



Potential hires are most likely to ask about workplace pensions and health benefits in general. That includes private medical insurance (PMI), and candidates are also interested in a wider range of health-related benefits, including lifestyle/gym membership (15%), group life assurance (15%) and health cash plans (15%). Again, this points to a wider trend where employees expect more from employers when it comes to looking after their health.

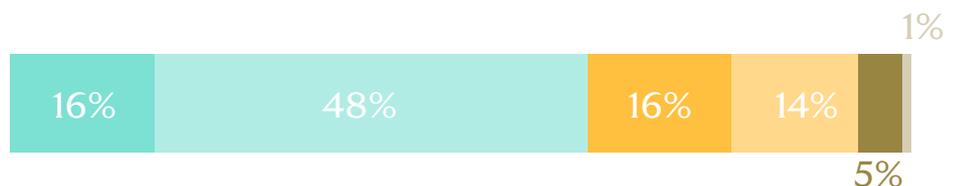
We are also seeing an increase in candidates asking about salary sacrifice as a mechanism for both pension contributions and other tax incentivised benefits. All SMEs should consider this, as there are also employer National Insurance Contribution savings which could be a budget enabler to allow for other benefit enhancements.

Meeting employees' needs

We asked: To what extent do you agree that the benefits your organisation currently offers to employees are meeting everyone's needs?

- Strongly agree
- Somewhat agree
- Neither agree or disagree
- Somewhat disagree
- Strongly disagree
- Don't know

Almost two thirds (64%) say that they believe the benefits they offer meet employees' needs, but only 16% strongly agree with this. Could this suggest that some businesses aren't sure how effective their benefits really are? Almost one in five (19%) either disagree or strongly disagree that benefits are meeting employee needs. Reviewing current strategies and better understanding employee needs can help to strengthen benefits programmes and build confidence in offering the right workforce benefits.



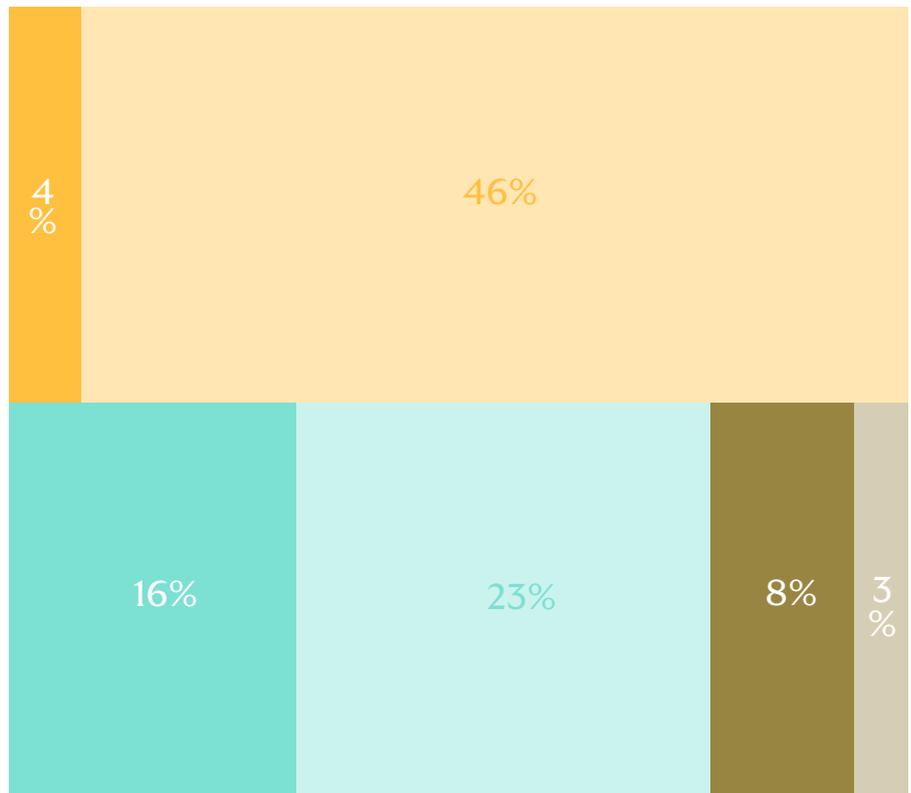


What are mid-sized SME's future benefits plans?

Anticipated changes to benefits

We asked: To what extent, if at all, do you believe the benefits your organisation offers employees (both existing and new) will need to change in the next few years?

- Extensive change required
- Significant change needed
- Some change necessary
- Minimal change required
- No change needed
- Don't know

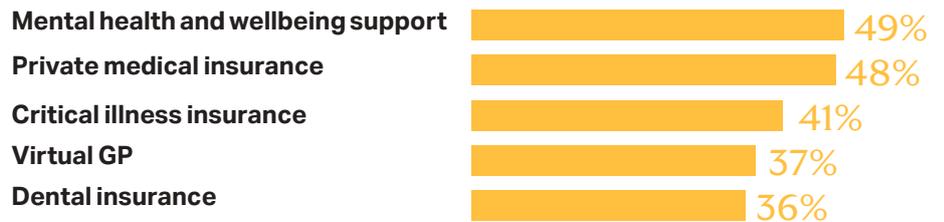


49%
of mid-sized SMEs offer mental health and wellbeing support

Benefits that mid-sized SMEs plan to introduce or change in the near future

We asked: Which, if any, of the following do you think will need to be introduced or increased in the near future in your organisation? (top 10 answers shown)

Health and wellbeing



Mid-sized SMEs are prioritising healthcare – an important focus for attracting future talent. This also echoes our finding that one in five mid-sized SMEs wants to incorporate wellbeing into their benefits strategy.

Flexible benefits and discounts



Pensions



Ensure employees have savings for retirement, promoting long-term financial security.

Protection



“

Two-thirds (65%) of mid-sized SMEs expect to make changes to their benefits offerings in the near future. This highlights an increasing focus on aligning benefits with employee needs, particularly as business growth brings a more diverse workforce. While only 14% currently provide flexible benefits, it is encouraging that half see this as a priority for the future, recognising its importance in attracting and retaining talent.

Traditionally, SMEs have struggled to find benefits technology that is both affordable and adaptable. However, modern solutions now offer scalable options for businesses of all sizes, ranging from basic systems to platforms capable of managing more complex benefit structures. This enables SMEs to address their immediate needs while remaining flexible for future growth.

Sacha Cooke
Head of SME
Howden Employee Benefits

A photograph of two women in a workshop or office setting. They are leaning over a table, looking at a project. The woman on the left has dark curly hair and is wearing a yellow top and a denim jacket. The woman on the right has blonde hair in a bun and is wearing a blue denim jacket. The background shows large windows with a view of a landscape. The lighting is warm and natural, suggesting daytime.

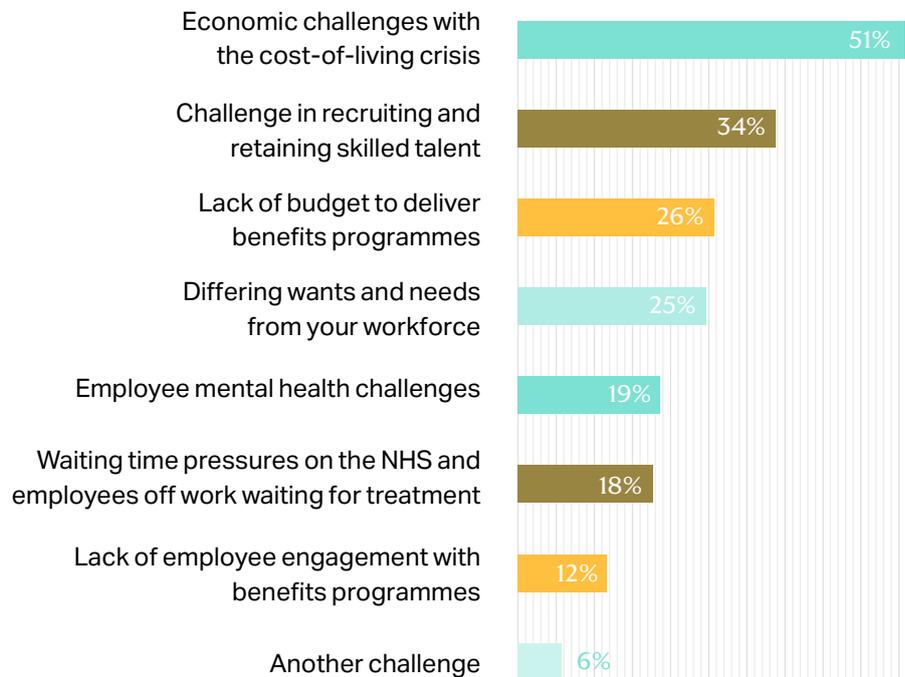
65%

of mid-sized SMEs
believe that they will
need to make changes to
their benefits in the
next few years

What are the benefits challenges for mid-sized SMEs?

Factors impacting business and the workforce

We asked: Which two factors do you think are having the biggest impact on business and your workforce right now?



As we saw earlier, recruiting and retaining skilled talent is critical for mid-sized SMEs and a quarter are also finding it challenging to address different wants and needs within a growing workforce. More flexible benefits alongside core offerings such as pensions and health could help to address this.

Economic challenges and lack of budget can be a challenge for this group, as for all sizes of business. Having a long-term plan to introduce or enhance benefits when business needs and budgets allow can help to offset the impact of limited budgets.

Action plan for mid-sized SMEs

01.

Explore more flexible benefits

As the workforce grows, employees are more likely to have different benefits needs. For example, parents may want to extend healthcare cover to their families, whereas others may want to put more focus on retirement planning. Adding choice into your benefits package can help to address all of these options in a simple, manageable format.

02.

Focus on recruitment and retention

Hiring talent with sought-after skills and experience is a core priority for mid-sized SMEs. Good quality core benefits, such as pensions and healthcare, complemented by more flexibility in your benefits to meet varied needs can form the backbone of an attractive package. Benchmarking what you offer against others competing for the same talent can also help to define strategies. Remember that communication is always going to be the key to engagement, understanding and utilisation.

03.

Plan for the long term

It might not be possible to address all your benefits ambitions at once, either from a budget or time perspective. Building a strategy can help to identify which benefits and needs should be addressed now, and which are lower priority or can change over a longer time frame.

04.

Speak to a broker

Working with a broker gives mid-sized SMEs the opportunity to really understand their benefits needs, identify the best products for those needs, and agree on the right terms and conditions for their workforce. Employers can also review the benefits they already offer to see if there are cost savings or efficiencies.

Howden Employee Benefits has close relationships with leading insurers. We have negotiated enhanced terms and features that mean SMEs can offer benefits programmes that compete with much larger employers. Talk to us today to find out more.

100-249 employees (larger SMEs)



What benefits do larger SMEs offer?

Current
employee benefits

We asked: Which, if any, of the following benefits are available to all or some of the employees in your organisation?

91%

Workplace
pension
scheme

84%

Private
medical
insurance

84%

Mental health
and wellbeing
support

79%

Group life
assurance
(Death in service)

62%

Virtual GP

60%

Lifestyle/
gym discounts

60%

Critical illness
insurance

60%

Dental
insurance

56%

Group
income
protection

55%

Flexible benefits
package

where employees choose
the benefits that mean
the most to them

51%

Health cash
plan

46%

Key person
insurance

7%

of businesses still say they do not offer a workplace pension

Workplace pensions

Larger SMEs are typically well-established businesses, so it is surprising that 7% say they do not offer, and 2% do not know if they offer, a workplace pension scheme. See our comment on page 15 about how vital it is for employers to adhere to auto-enrolment legislation.

84%

offer private medical insurance (PMI)

Health and wellbeing benefits

Health and protection benefits are a key focus for large SME respondents, with around 84% offering private medical insurance (PMI), mental health and wellbeing support, and group life assurance.

Other health-related benefits, such as dental insurance, lifestyle/gym discounts and virtual GPs are also offered by well over half of respondents. Employees now expect more from their employers in terms of wellbeing support, so health benefits can be a clear differentiator when attracting new talent.

Flexible benefits and discounts

More than half offer flexible benefits (55%), but this is still relatively low compared to health-related offerings, suggesting that employers have focused on providing strong core benefits rather than enabling employee choice.



Are benefits having an impact?

Top ways benefits impact larger SME employers

We asked: To what extent do you think the employee benefits provided by your organisation impact each of the following areas?

With such a major focus on health-related programmes, it's not surprising that the biggest benefits impact for large SMEs is on creating a productive and healthy workforce. This is also reflected in the impact on the mental wellbeing of employees and their physical wellbeing.

The link between benefits and company culture and morale is more significant for larger SMEs than for the smaller companies we've analysed in this report. As organisations grow, building a positive company culture across teams and potentially across multiple locations, becomes more significant. Benefits can help reinforce this, by showing that employers care about their workforces and are listening to their needs. Communicating regularly about the benefits will keep this at the forefront of employees' minds.

Attracting and retaining talent and lowering staff turnover both score highly, suggested that the employee benefits strategies larger SMEs have designed are mostly supporting existing staff well, and offering potential hires what they want and need.

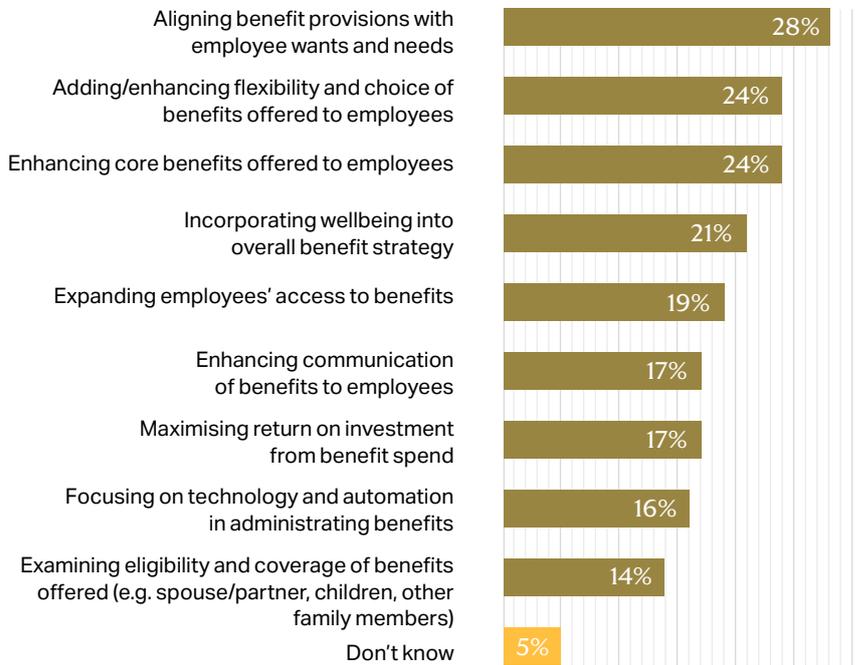
81%
of large SMEs believe that benefits play a significant role in promoting a productive and healthy workforce



What are mid-sized SMEs' benefits priorities?

Top priorities for the next two years

We asked: Which of the following do you see as top priorities for how your business offers benefits to employees over the next two years?



55%
of large SMEs offer flexible benefits

Larger SMEs are clear about what they want from their benefits strategy, with just 5% answering 'don't know' to this question (compared to 35% of small SMEs). This could point to more confidence around benefits strategy, perhaps with some in-house HR support.

Like other sizes of SME, larger businesses are focused on aligning their benefits with employee needs. Although currently, 55% of businesses offer flexible benefits, further enhancing flexibility and choice is a priority for 24%. However, extending eligibility of benefits, to spouses and families, for example, is less important. Only 14% of companies say this is a priority – even though this could help to support parents and carers in the workforce and offer differentiation from other employers.

Are benefits fit for purpose?

Top three benefits that potential candidates ask about

We asked: When recruiting, what specific employee benefits are potential hires frequently enquiring about or seeking?

45%
Workplace pension scheme

42%
Private medical insurance

26%
Mental health and wellbeing support

Meeting employees' needs

We asked: To what extent do you agree that the benefits your organisation currently offers to employees are meeting everyone's needs?

Larger businesses are generally confident about their benefits provision, with 71% either strongly agreeing or somewhat agreeing that they meet employee needs.

Like companies of all sizes, potential hires are most likely to ask about pensions and health benefits. Private medical insurance is particularly significant for this group, with 42% saying they are asked about this in interviews. Other health and protection benefits such as group life assurance (17%) and critical illness cover (17%) are also likely to come up in interviews. This shows how vital good quality healthcare benefits are to potential employees.

- Strongly agree
- Somewhat agree
- Neither agree or disagree
- Somewhat disagree
- Strongly disagree





Making benefits easy to manage

SME employers of all sizes need to manage their employee benefits carefully, sometimes with limited knowledge, experience and time. Bringing everything together with one trusted employee benefits partner into a single cost-effective technology platform could make life easier both for employers and for employees making choices around their benefits.

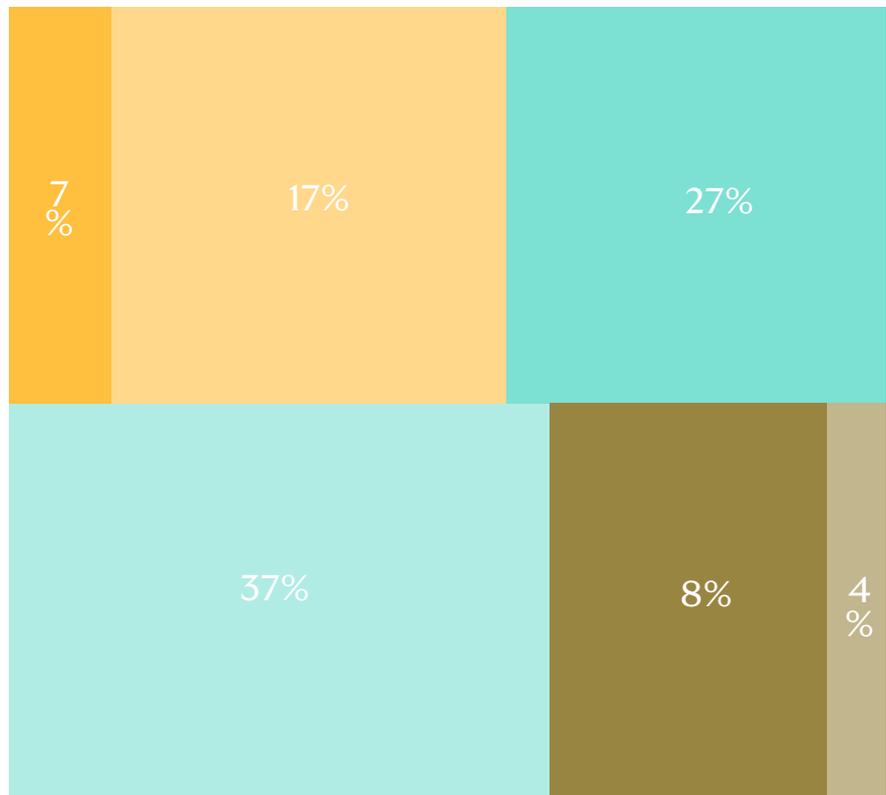
A great platform could help with a centralised, more consistent promotion of benefits, which enables employees to see everything that's on offer to them and appreciate the full value of their package. It can also bring together diverse products such as retail discounts, mental health support, EAPs, and financial wellbeing programmes into a single, coherent offering whilst providing employers with the ability to communicate in a targeted way.

What are larger SME's future benefits plans?

Anticipated changes to benefits

We asked: To what extent, if at all, do you believe the benefits your organisation offers employees (both existing and new) will need to change in the next few years?

- Extensive change required
- Significant change needed
- Some change necessary
- Minimal change required
- No change needed
- Don't know



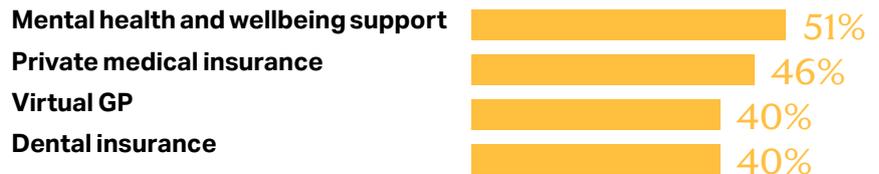
61%
of large SMEs
acknowledge that
they must make at
least some changes
to their strategy in
the next few years

Although larger SMEs are generally confident that their benefits meet employees' needs, 61% acknowledge that they must make at least some changes to their strategy in the next few years. Nearly a quarter (24%) say they will need to make significant changes, potentially reflecting shifting business needs, employee expectations and budget considerations.

Benefits that larger SMEs plan to introduce or change in the near future

We asked: Which, if any, of the following do you think will need to be introduced or changed in the near future in your organisation? (top 10 answers shown)

Health and wellbeing



Pensions



Large SMEs are expecting to enhance their workplace pension as one of their top three goals. Given that workplace pensions attract the most enquiries from potential candidates, this could help businesses ensure they remain competitive when attracting new talent.

Flexible benefits and discounts



Offering more flexible benefits is the biggest area of change, with 51% likely to introduce or increase coverage. Putting more focus on flexible benefits suggests that many large SMEs recognise that employees want or need choice. Lifestyle and gym discounts are also high on the list of priorities, which also points towards enabling people to choose what's important to them.

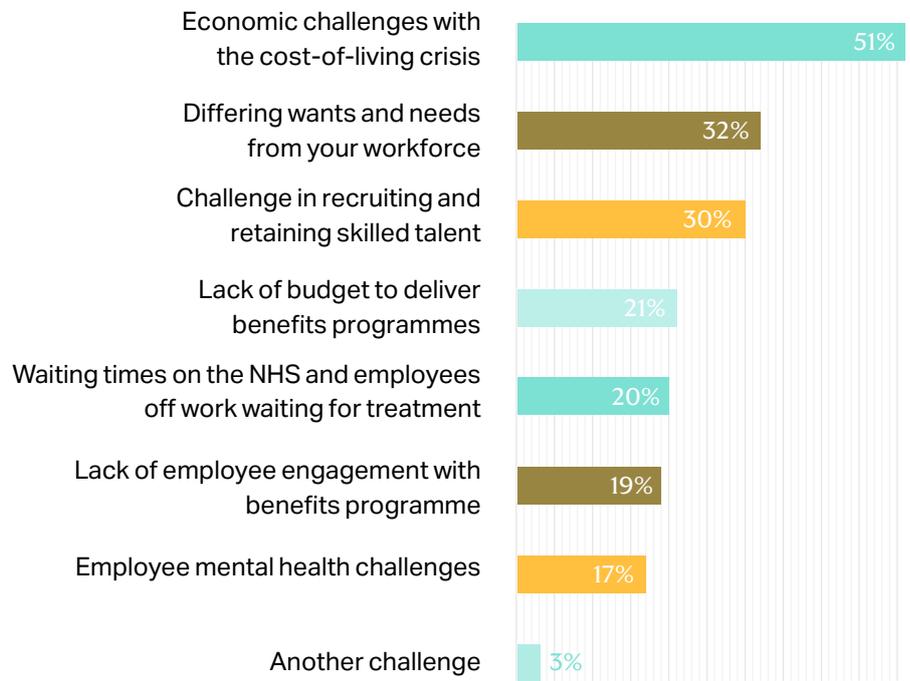
Protection



What are the benefits challenges for larger SMEs?

Factors impacting business and the workforce

We asked: Which two factors do you think are having the biggest impact on business and your workforce right now?



The economic challenges of the cost-of-living crisis continue to plague large SMEs and are by far the top issue affecting employers of this size. It may be driving increased interest in offering flexible benefits, which could provide employees with more ways of saving money and choosing benefits that add real value for them. Differing wants and needs of the workforce (32%) are also a related issue.

Employee engagement with benefits is a challenge for nearly a fifth (19%) of large SMEs. This may reflect business growth, and the change from a small close-knit group of employees where word of mouth may work as a communications approach, to a more substantial and physically disparate company. By comparison, only 7% of small SMEs said this was a challenge for them.

Action plan for larger SMEs

01.

Keep pace with business growth

As businesses become bigger and more diverse, communicating benefits and helping employees to get value from what's on offer must also evolve. Making sure that communications are meaningful and consistent, and that leaders can explain benefits to their teams, are just some of the actions that can help.

02.

Ask employees what they want

Expanding employee numbers can also mean finding new ways of capturing people's benefit needs. Surveys, focus groups, employee forums and networks can all provide valuable insights, alongside metrics such as usage. Crucially, having access to experts that can interpret and create actions from the resulting data is invaluable.

03.

Get the right balance between basics and flexibility

Offering pensions and health cover is becoming a necessity rather than a nice-to-have, especially for recruiting top talent. At the same time, enabling employees to choose benefits that are right for them is equally important. The challenge is in getting the balance right between core and flexible benefits, in a way that is manageable and affordable.

04.

Work with a broker

As businesses grow, their employees' benefits needs will evolve. Working with a broker helps an employer to make sure that their benefits programme remains fit for purpose, offers the right features and communications for employees, as well as delivering value for businesses.

Howden Employee Benefits provides independent advice to design benefits that fit your business, people, and budget. With strong insurer relationships, we secure exclusive options, and every client is supported by a dedicated consultant who understands their unique needs.



How we can help

Howden Employee Benefits is part of the Howden Broking Group. Our expert team works with clients of all sizes to provide dedicated employee benefits consultancy. We have won many industry awards for our work and are widely recognised for our innovative and creative people-first approach to benefit design.

We understand that today's diverse workforce is looking for tailored employee benefits that meet ever-changing lifestyle and wellbeing needs. So, we design, implement, and manage your benefits to keep them relevant and fit for purpose - now and for the future.

Contact us today at employeebenefits@howdengroup.com or on **0345 646 2373**.

One Creechurch Place,
London, EC3A 5AF

+44 (0)3456 462 373
employeebenefits@howdengroup.com

howdenbroking.com

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