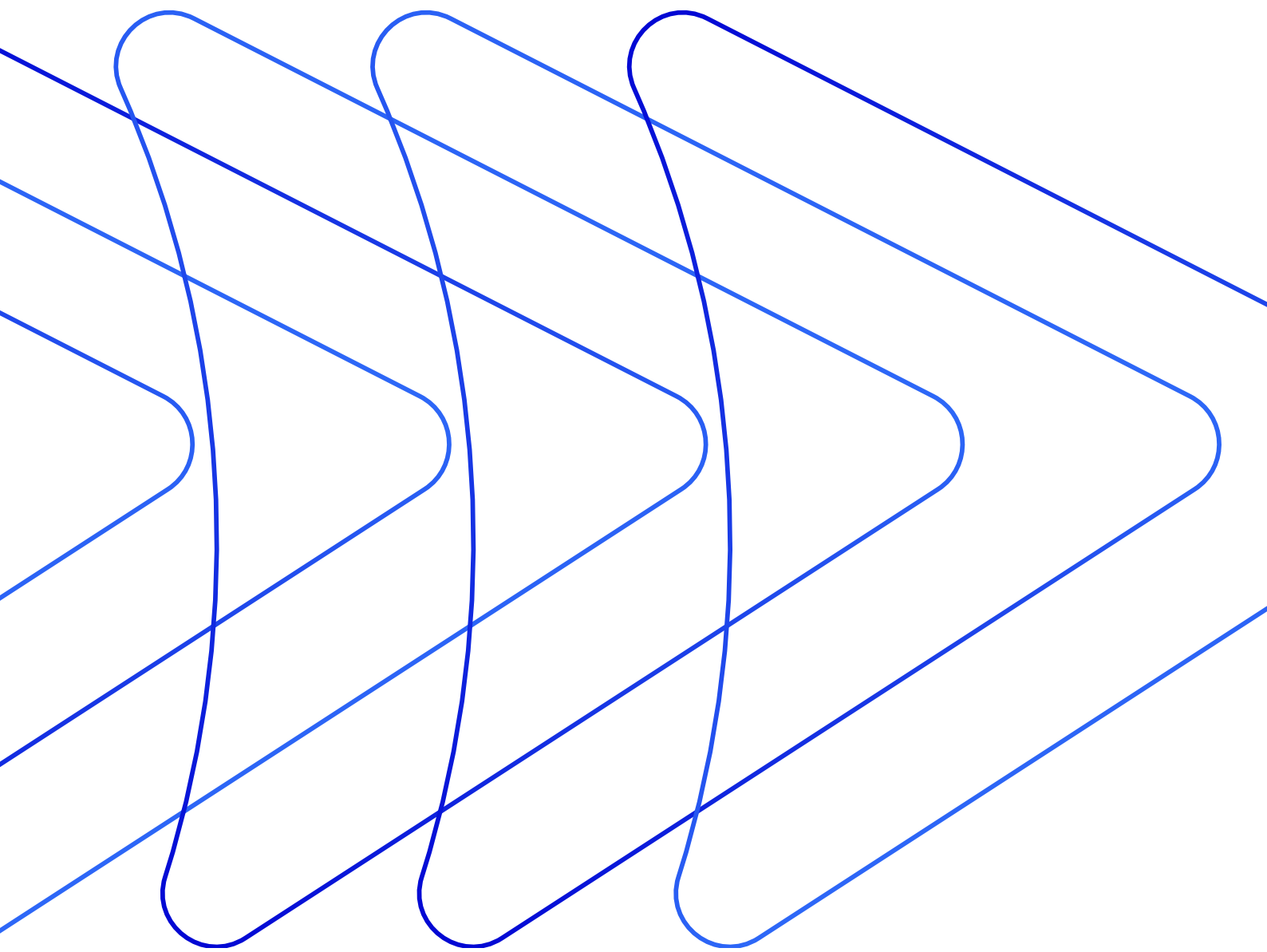


2023 REPORT

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# National Employee Benefits Index



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# The State of Workplace Sentiment: Flare's National Employee Benefits Index

In 2023, less than half of working Australians felt valued by their managers and 30 percent admitted that they do not have adequate opportunities to use their talents at work.

In fact, the nation's mobility rate rose by 18% to 1 in 10 people job switching in February 2022. This rate continued through 2023 with 1.3 million Australians changing their jobs. This is the highest churn since 2012 and a trend that is driving the current workplace sentiment.

It's not hard to draw a connection between job satisfaction and turnover. When employees feel undervalued, poorly compensated, or underutilised, they're significantly more likely to consider other opportunities.

This reinforces the necessity for employers and managers to cultivate an environment that recognises and benefits employees on their terms.

So what are those terms? What are employees looking for? How happy are they with their compensation and benefits? And, most importantly, what could employers do to safeguard their workforce against these growing trends?

This whitepaper examines the diverse motivations for work, and probes the ways in which various benefits and types of compensation impact overall employee satisfaction, retention, and productivity.

## Key insights

- + Over a third of employees are thinking about leaving their current employer.
- + A benefits program, however, can play a pivotal role here. Things like gym memberships, mental health support, and remote work can offset dissatisfaction by a whopping 25%.
- + As competition intensifies and the effects of the pandemic linger, attracting and retaining talent is becoming more challenging for companies.
- + The need for businesses to understand what truly matters to their employees, and to offer benefits that align with these values, is more important than ever.

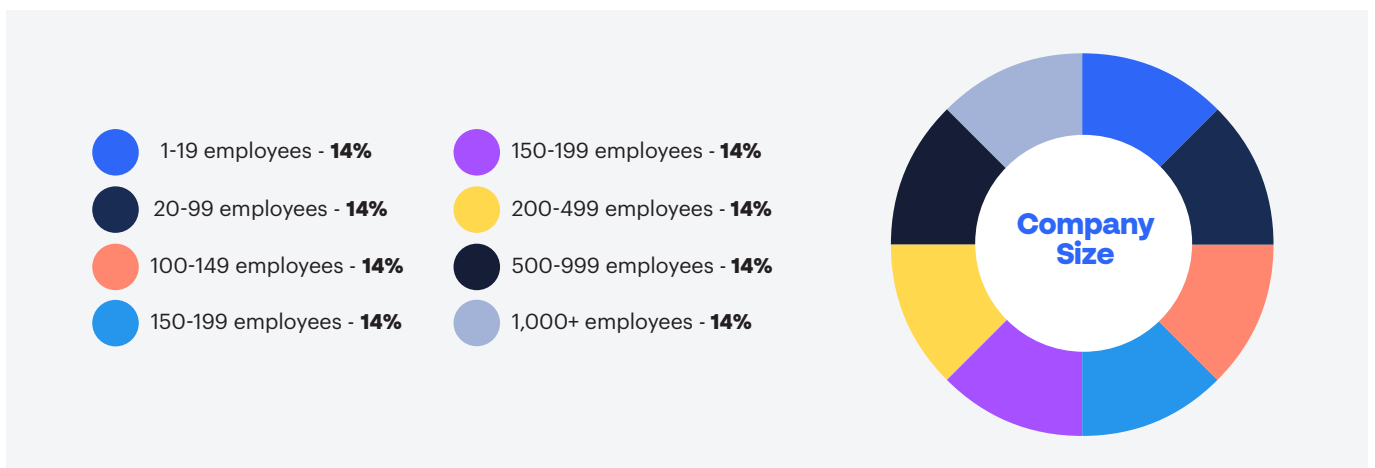
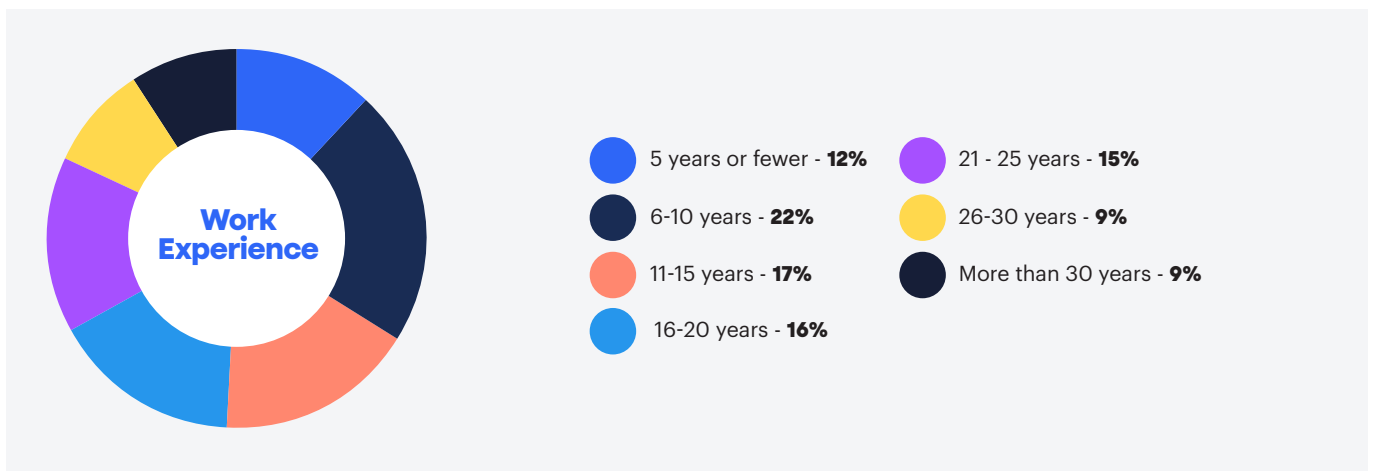
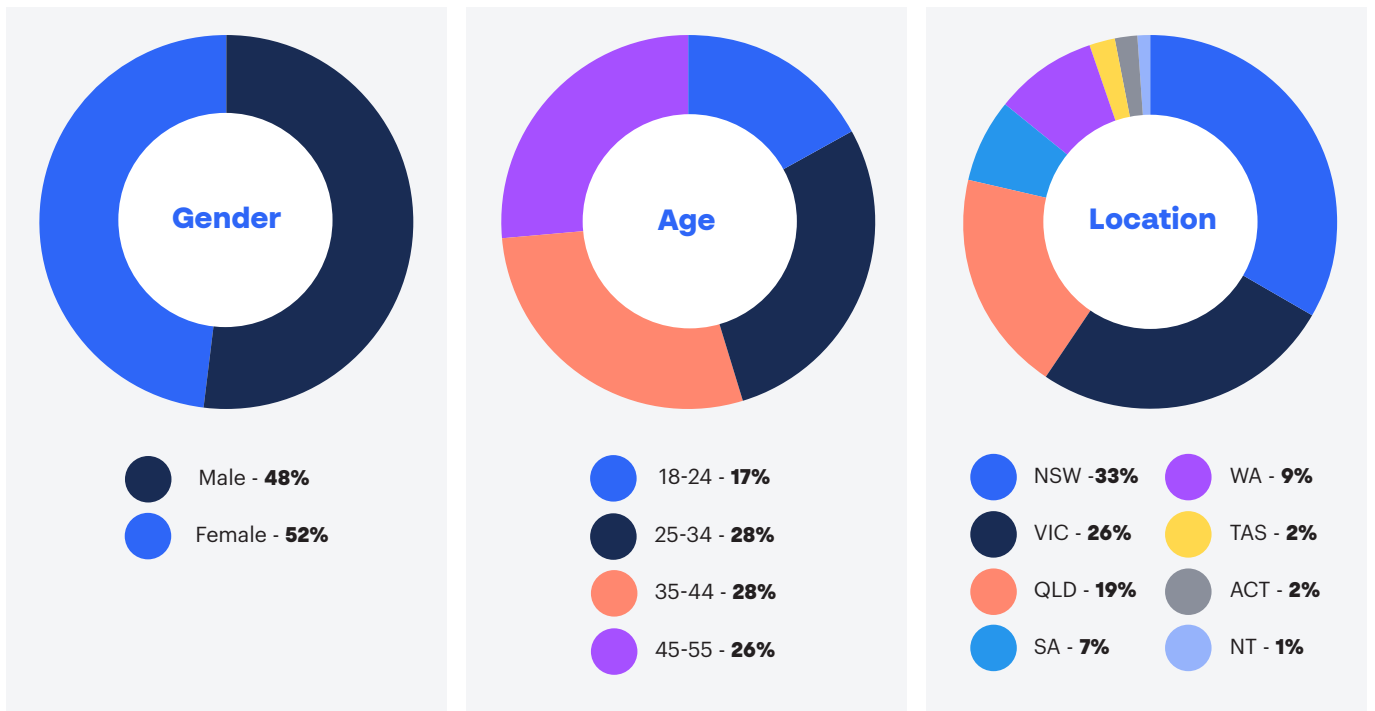


<sup>1</sup>Flare National Employee Benefits Index, April 2023

<sup>2</sup>Australian Bureau of Statistics, Job Mobility Statistics, 30/06/2023.

# Demographics

This research survey, *Flare's National Employee Benefits Index*, was distributed to a representative sample of full time Australian workers and to Flare customers during April 2023. It attracted 1,500 respondents representing the below demographics.



# Paycheck perspectives: How satisfied are employees with their earnings?

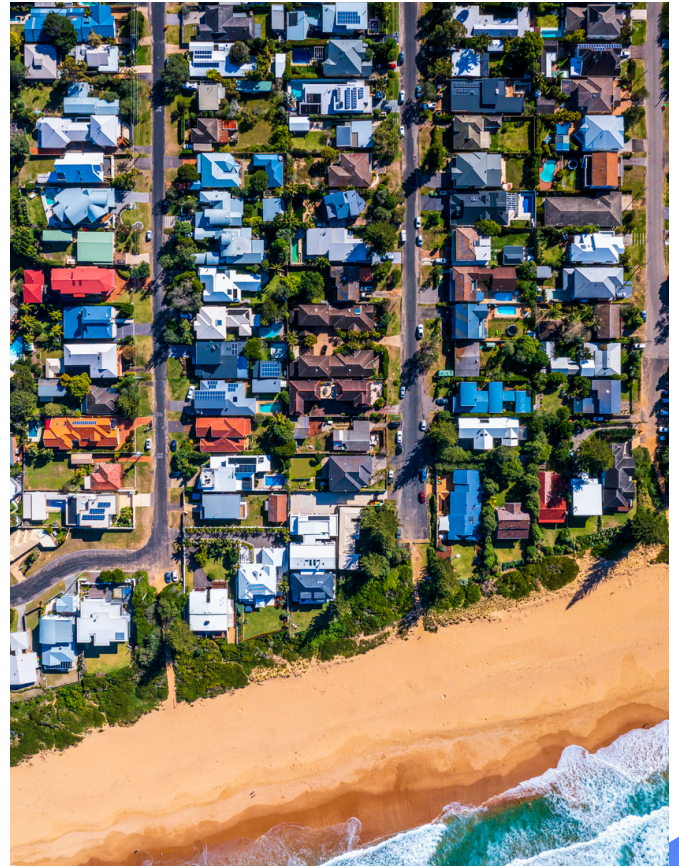
In April, 2023, Flare commissioned the first National Employee Benefits Index as an in-depth study to better understand both the attitudes and impacts of workplace benefits. This index serves as a tool for Australian employers to better understand and respond to the correlation of total remuneration and benefits offered to the overall sentiment of employees at work.

The data showed that 60% of employees are happy with their current compensation, yet “financial pressure” was the largest source of stress for workers, with 50% of respondents worried about meeting their current financial obligations.

Considering the cost of living crisis and ballooning interest rates, and financial stress being among the most significant pressures facing working Aussies, why are the majority of employees satisfied with what they’re getting paid?

Benefits, it seems, go far in shaping employee attitudes towards their earnings.

The impact of having a benefits program in place — things like gym memberships, mental health support, mentoring and flexible work schedules — actually increases satisfaction. Remarkably, dissatisfaction with compensation is slashed by 25% when an organisation offers something to supplement take-home pay and support work/life balance.





# Understanding employee benefits and subsidies

In an increasingly competitive job market, and as companies grapple with the economic aftereffects of a global pandemic, the challenge of attracting and retaining talent is more significant than ever.

In order to pull in great candidates and create loyalty, companies need to consider what matters most to their employees, and offer benefits that align with their needs and values.

Employee benefits can include things like flexible and remote work arrangements, career development and mentoring, childcare, health and wellness subsidies, as well as a range of retail, technology, and lifestyle offerings.



**Questions: Which of the following benefits/perks does your employer offer?  
Of the benefits/perks your employer offers, which have you used  
in the last 12 months?**

	Ranking	Availability	Take Up	Ranking on Take Up
Free coffee and/or snacks	1	66%	9%	8
Employer training & education programs	2	59%	6%	11
Support for reasonable work hours	3	59%	4%	15
Flexible schedule	4	57%	3%	17
Social gatherings outside of work	5	41%	52%	1
Extended family leave options	6	41%	12%	7
Leadership development programs	7	34%	9%	9
Virtual working	8	34%	6%	12
Career development coaching	9	31%	4%	16
Mentoring programs	10	27%	19%	4
Support groups for health & wellness interest areas (e.g. smoking cessation, weight loss)	11	21%	9%	10
Car buying, leasing and discounts	12	20%	2%	20
Gym membership discounts	13	19%	34%	2
Free or subsidised on-site lunch	14	18%	22%	3
Subsidies for university classes/degrees in your field	15	17%	5%	14
Financial & retirement planning	16	15%	3%	18
On-site employer gym	17	13%	19%	5
On-site health & wellness classes (e.g. yoga, meditation weight loss)	18	13%	3%	19
Sabbatical options	19	11%	1%	23
Employee retreats	20	10%	6%	13
Child care subsidies	21	10%	1%	24
On-site childcare	22	9%	2%	21
Public transport discounts/benefits	23	9%	1%	25
Group volunteer programs	24	9%	1%	26
Elder care (parental) assistance	25	8%	17%	6
Adoption assistance	26	7%	2%	22



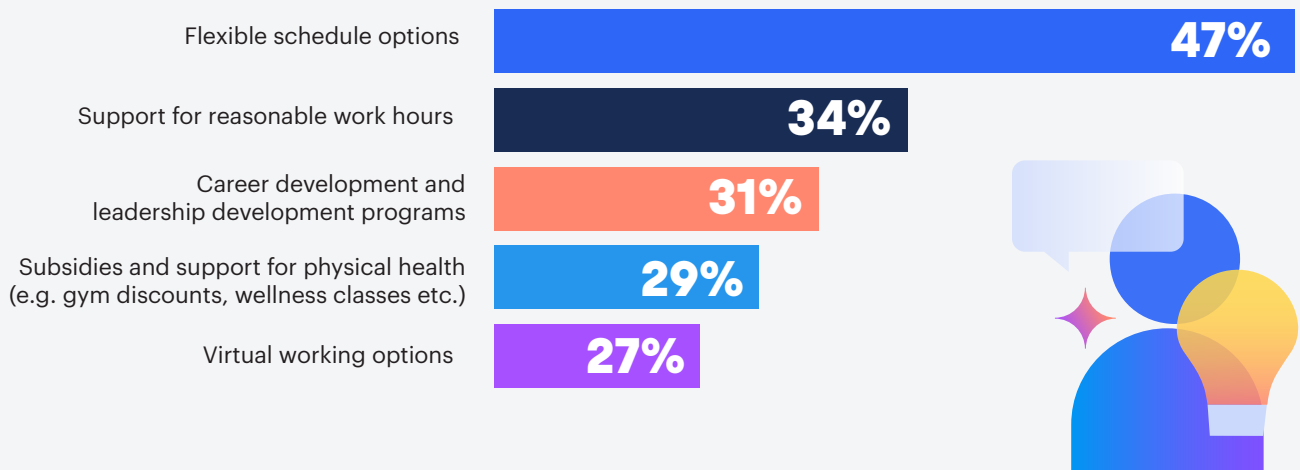
The most readily available perks and benefits employees had access to, didn't result in the highest uptake. The top four perks in terms of availability being free coffee/snacks, employer training, support for reasonable working hours and flexible schedules didn't rank in the top 7 for usage.

Support for reasonable work hours and flexible work schedules was only used by 4% and 3% of respondents respectively, despite the fact that almost 60% of people had access to both benefits.

High uptake perks and benefits included social gatherings, gym memberships (discounted and on-site), free lunch and mentoring programs. Update for on-site benefits including on-site lunches and gym was more adopted amongst a young audience (18-24 years).

Employees aged 35-44 years showed higher uptake in benefits related to financial support and life planning with double the average uptaking into car buying services and discounts along with child care subsidies.

### Top 5 benefits that lead to employee loyalty





This research shows that benefits or perks with high usage don't translate to driving employee loyalty. Flexible schedules and support for reasonable working hours seemingly drove the most stated loyalty amongst employees when respondents were asked to state attitudes to what would drive loyalty (whether or not the perk or benefit was available). However, particular benefits that would instil the most loyalty also vary amongst cohorts of employees.

Interestingly when we looked into the data on key individuals who had uptake into the products themselves, respondents who accessed car buying assistance had dramatically different rankings of loyalty. They ranked car buying assistance (novated leasing) as the top driver of loyalty with 43% of respondents agreeing as opposed to 16% of the total sample. This demonstrates the divide from actual to perceived loyalty.

## Further perspectives: More key insights



**1 in 3 (36%)** of employees are thinking about leaving their current employer.



However...employees with benefits were **50% less likely** to consider leaving their current employer.



**Financial pressure** and meeting current financial obligations is the largest source of stress for Australian employees, followed by physical and emotional health.



Professional development appears to be lagging in a post-Covid employment landscape. Despite being named as a key benefit when it comes to employee loyalty, **45% of Australians** feel that their employer is not dedicated to their professional development.



Only **30% of benefits** currently offering bring about real loyalty (benefits that would keep employees in their job).



**43% of employees** feel that their company's sustainability initiatives in some way impact their job satisfaction.



Novated leasing is offered by just **20% of organisations** and utilised by only **3% of employees**, yet this benefit has been shown to have the greatest impact on take-home pay.



# The benefit of benefits

When it comes to hiring good people, companies often find themselves in a battle royale particularly with larger multinational enterprises. Without the resources to access workplace benefits that matter, smaller firms need to put in place a strong benefits program to bolster take-home pay and stand out in a bustling employment landscape.

An effective benefits program can also support engagement and productivity for existing employees, and alleviate feelings of depletion.

One in three Australians (36%) express feelings of being overworked, with 10% strongly believing that their employers are demanding too much from them. Comparing these responses with employees who have access to at least one type of benefit, it was observed that those with benefits were 23% less likely to experience a sense of being overworked.

The presence of a benefits program therefore has a significant and positive impact on employees' happiness at work and overall perception of their workload. Benefits employees are less likely to feel overworked, and more likely to experience a healthy work-life balance.

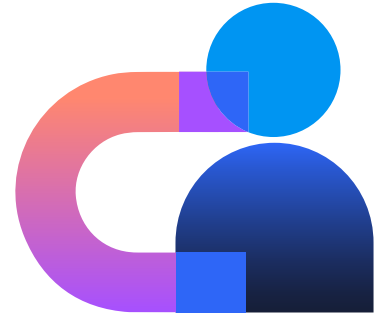
These findings underscore how crucial it is for employers and managers to think about the overall experience and wellbeing of their employees. By implementing or expanding products with a benefits program, companies can strategically create a workplace that is positive and fosters strong engagement.



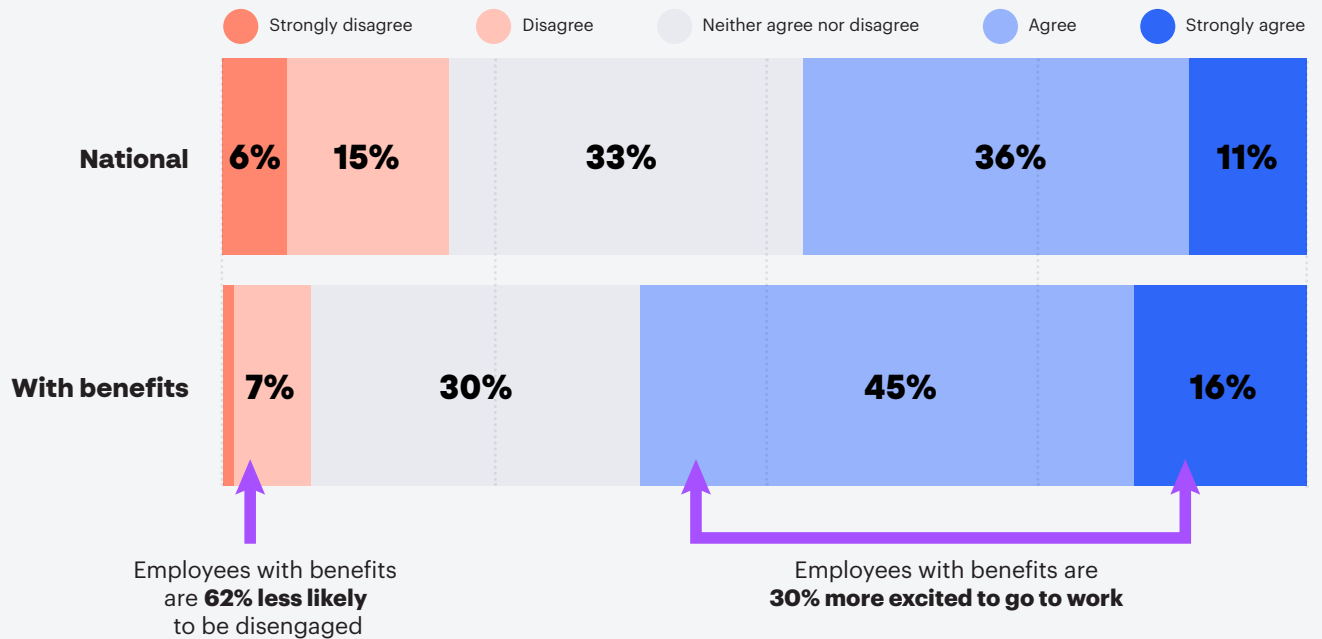
# Benefits and employee retention

Only 3% of employees with access to benefits are disengaged from their day to day work. The Flare National Employee Benefits Index highlighted employees with access to a benefits platform are 20% more likely to enjoy their day to day work.

Offering company-wide benefits has a significant impact on retention, with employees who have access to benefits stating they're nearly 50% less likely to consider leaving their current employer.



## Question: I get excited about going to work



# The impact of benefits on employee engagement

Avoiding employee turnover is not the same as having engaged employees and workforce.

According to Gallup<sup>1</sup>, engaged employees are those who are involved in, enthusiastic about, and committed to their work and workplace.

Unfortunately, slightly less than half of our nation's workforce are excited about going to work. This means that they're likely putting less effort into their tasks, making more mistakes, and they're generally not invested in positive business outcomes.

In Australia, disengagement is costing around \$2 billion per year in turnover costs and loss to companies' bottom line.

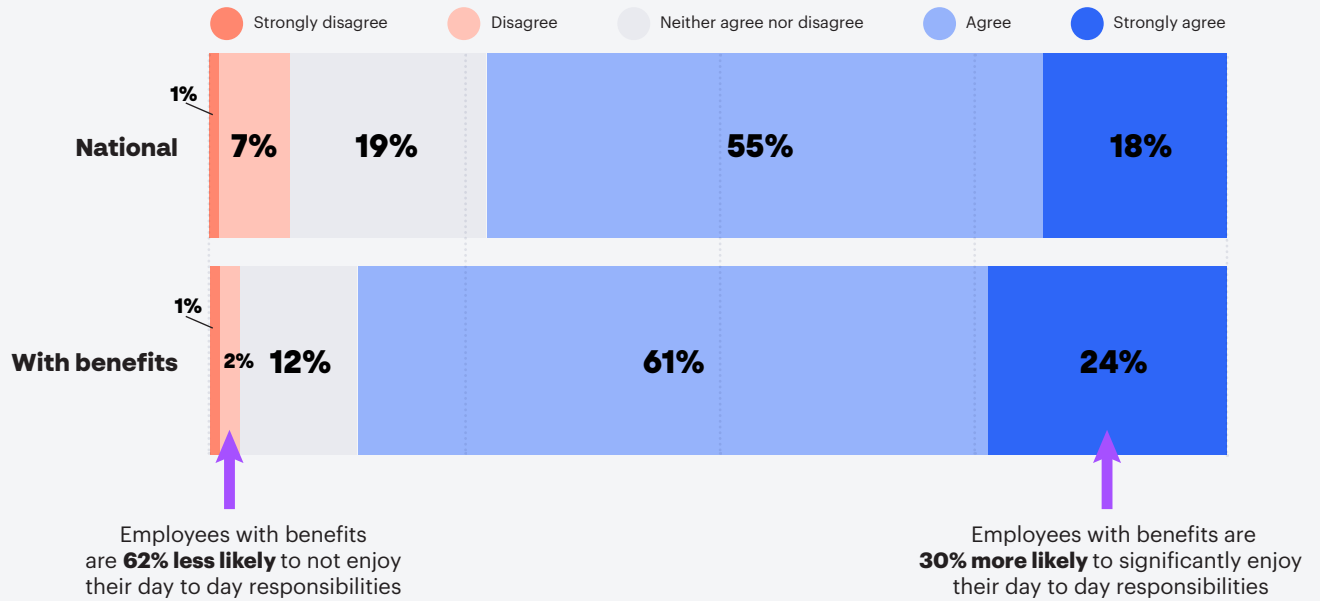
Although a range of factors contribute to employee engagement, including effective onboarding and good managers, benefits have shown to influence day to day attitudes about work.



<sup>1</sup> Gallup, State of the Global Workplace: 2023 report



### Question: I enjoy my day-to-day responsibilities at work

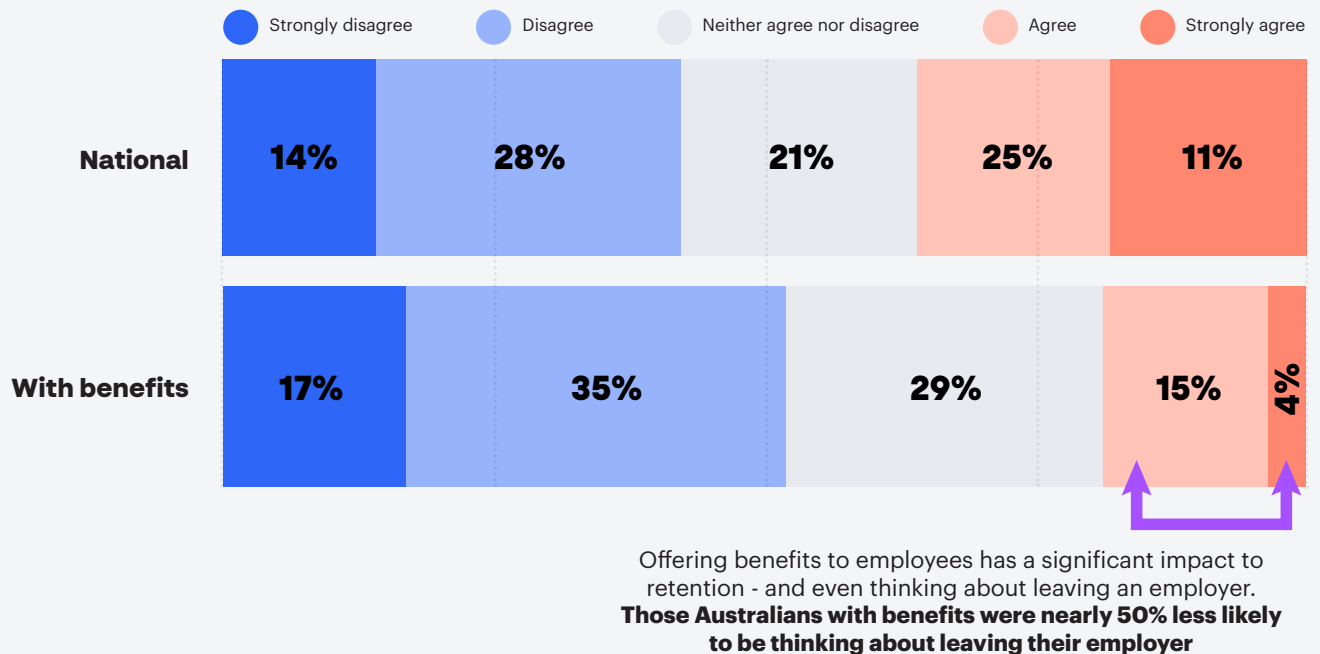


Employees with a benefits platform are 30% more excited to go to work and take pleasure in their day-to-day responsibilities.

This engagement, combined with lifestyle benefits which potentially reduce financial stress, drive up overall satisfaction.

Further to engagement and employer advocacy the compelling link to benefits and employee satisfaction is in that employees with access to compelling benefits cited being 50% less likely to want to leave their employer.

### Question: I think about leaving my current employer





# Why benefits are more meaningful than 'perks'

Although they're often used interchangeably, the word 'benefits' usually describes more substantial extras which address the fundamental needs and values of employees, while perks denote smaller, day to day advantages such as free coffee or meals, access to ping pong tables or friday afternoon drinks etc.

Benefits typically provide lasting value to both employees and their families by addressing essential aspects of their work and home life, including healthcare, savings, insurances, home loans, flexible work

options, and mental health. These benefits contribute to employees' financial security and bolster their take-home pay, ultimately supporting their whole life wellbeing over the course of their careers.

While perks may provide fleeting enjoyment or convenience, employee benefits demonstrate a deeper commitment to employees' overall welfare and help to create a supportive and rewarding work environment.



## Career development over coffee

Free caffeine pick-me-ups are provided to over 66% of Australian employees, making it the most popular perk on offer. Although readily offered, it drives little usage and from the data we see complimentary caffeine would engender loyalty in only 27% of respondents.

In fact, all of the top subsidies that are linked to greater engagement and loyalty (flexible and reasonable work, career development, health subsidies, and virtual work) do something to provide long term, meaningful value for employees.



# Pre-tax benefits: a powerful yet underutilised tool to ease employees' financial burden

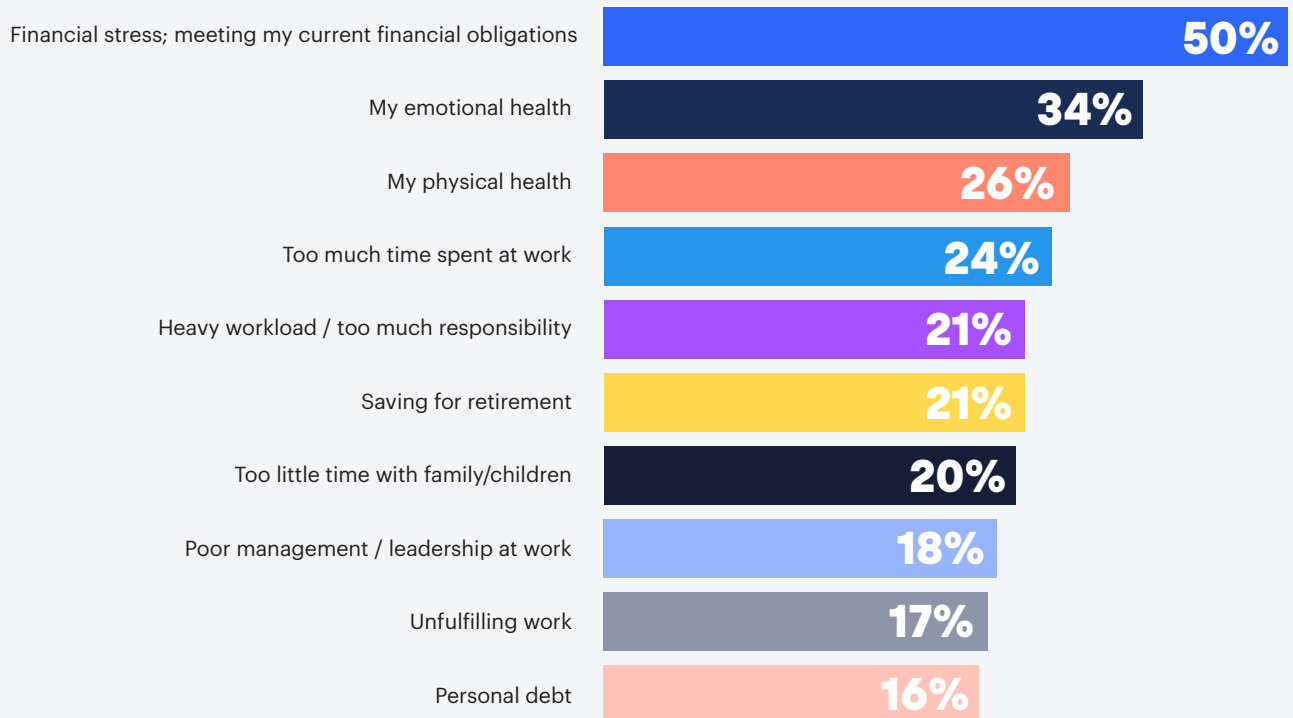
It's clear that the inflationary economic environment will remain for the medium term and business sentiment is at low levels; over half of SME's believe that the country will be in recession by the end of 2023<sup>1</sup>.

Companies are divided in their response to the deteriorating economic prospects. Some are contemplating reduced profits, while others are considering passing costs to customers or hiking prices.

Regardless of the strategy, one thing is certain: employees should brace themselves for increased wage pressures and higher living expenses.

The resulting financial stress is expected to persist through 2024, with the likelihood of a shrinking salary increase pool. This grim scenario paints a worrying picture for both business sustainability and employee productivity.

## Question: What are your biggest sources of stress? Top 10 responses

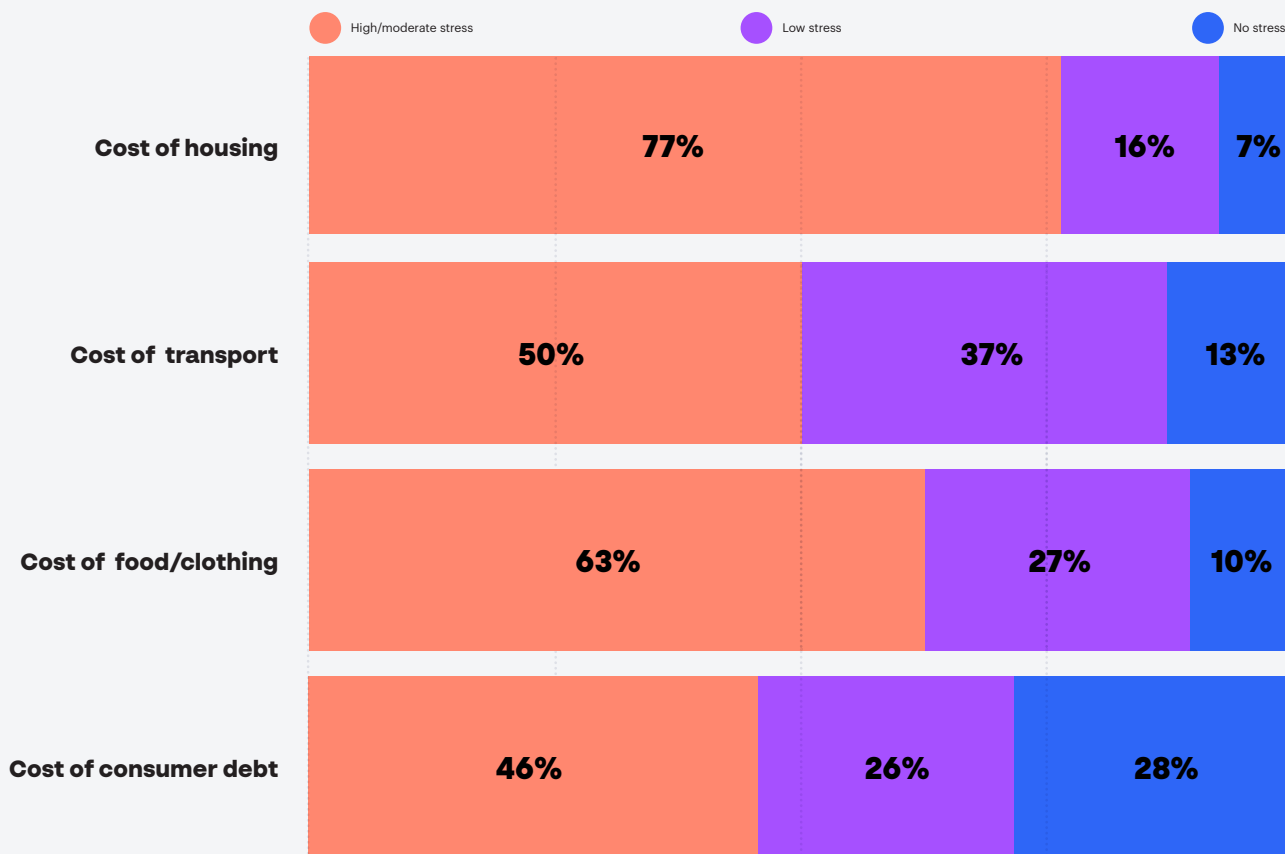


Financial stress and meeting current financial obligations is the largest source of stress affecting 1 in 2 employees

<sup>1</sup><https://www.myob.com/au/blog/recession-fears-grow-myob-reports/>



## Question: What aspect(s) of financial life cause stress?



Cost of transport with private vehicle expenses had a high and moderate level of stress from respondents in the research.



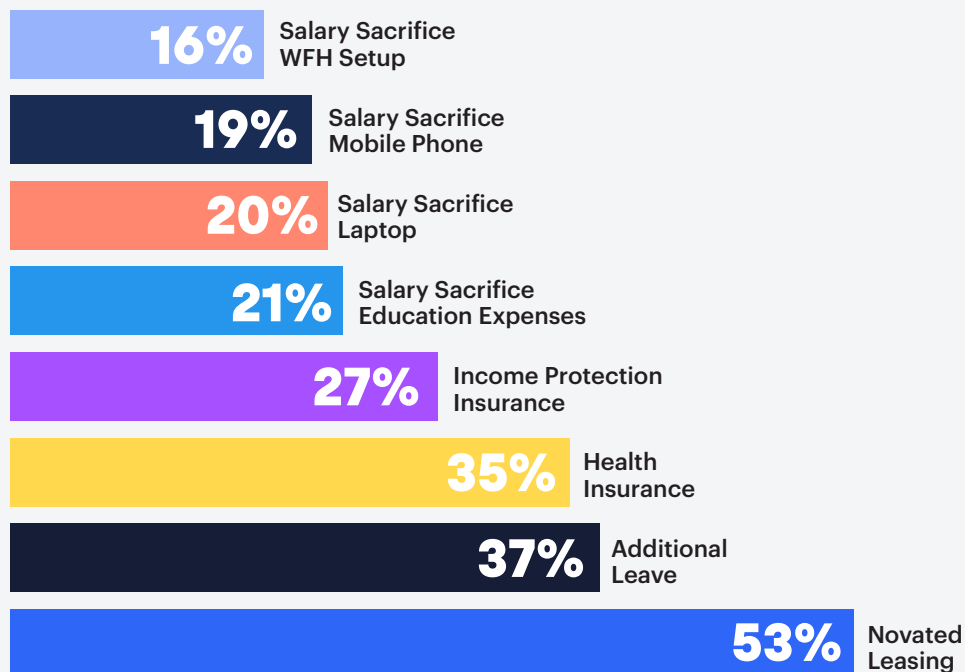
# A glimmer of hope: pre-tax benefits

But the economic horizon is not entirely bleak. There are tangible, readily-implemented pre-tax benefits that companies can leverage today to alleviate financial burdens on their employees. The recent Electric Vehicle legislation for novated leasing, for instance, offers average savings of \$10,000 annually per employee. When considering the marginal tax rate, to give an employee an equivalent increase in their gross salary, would cost an employer up to \$22,000 per year.

Interestingly, because of such low levels of pre-tax benefits offered nationally, early mover advantages could be captured by businesses who offer these to attract scarce talent or by retaining critical employees during lean times.

## Employee Perspective: Pre-Tax Benefit Supply versus Demand

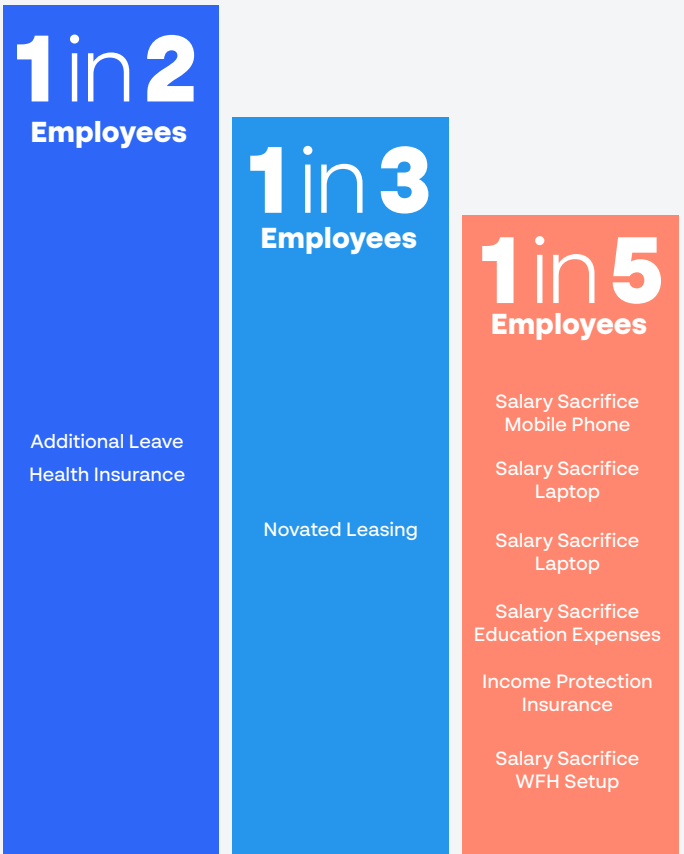
### Which of these benefits have you heard of before?



A significant number of employees from all industries and geographies are not aware of pre-tax benefits.



Once informed about pre-tax benefits, employees' interest surges. A remarkable 80% of respondents would embrace at least one pre-tax benefit in the next year if offered by their employer. Employees gravitated toward taking advantage of major expense burdens:



12-month demand for pre-tax benefits once employees are made aware of them.

### A Modern Approach: Simplicity and Efficiency

Unlike the past, the administration and accessibility of pre-tax benefits have become far more streamlined since the late 1990s. The effort and risk associated with offering these benefits are minimal. Employers can essentially provide a pay rise without altering the salary line in the Profit & Loss statement.

### Conclusion

In an economic climate fraught with uncertainty, pre-tax benefits emerge as a promising strategy to support employees without compromising the business's financial position. By leveraging these incentives, companies not only alleviate employees' financial stress but also foster loyalty and productivity. The time to act is now, for those willing to seize this opportunity may enjoy a decisive advantage in an increasingly competitive market.





# Novated car leasing: catering for surging demand

While novated leasing may not be the most widely embraced benefit within its category as shown earlier (only 15% of employers offer this service), its impact on employee retention should not be underestimated. However, all the conditions for employee demand are growing.

Transport costs (including car expenses) have risen 10% in the last year to now represent 15% of household expenditure in Australia<sup>1</sup>. Offering savings here can have a significant impact on boosting an individual's income or savings. This becomes a long term financial obligation that many employees' carefully consider when deciding whether to stay or leave a job.

Furthermore with the growing demand of the electric vehicle market as more EVs were sold in the first half of 2023 compared to the whole of 2022, affordable access into electric vehicles for many consumers is feasible only through a novated lease.

Allowing employees the option to make a conscious decision on the environmental footprint they make daily helps to drive a robust employer value proposition (EVP) to not only attract new employees but also retain existing employees.

Taking leadership on EVs and helping your people make the switch shows innovation and commitment to sustainability.



<sup>1</sup> Australian Automotive Association, Transport Affordability Index, Q1 2023



# Key takeaways: Choosing the right benefits for employee engagement and wellbeing

**Despite the current high levels of inflation, businesses have not increased salaries accordingly within the Australian market, recognising that sustained wage growth at this level isn't feasible. Instead, more businesses are moving to alternative, financially scalable solutions to enhance pay packages...like benefits.**

Benefits have proven their effectiveness in boosting employee engagement, reducing frustration over compensation, and increasing retention by elevating overall job satisfaction.

But not all benefits are created equal.

Among the surfeit of work and life perks offered by Aussie businesses, only a select few truly foster employee loyalty. Plus, with inflation soaring and the wage deficit widening, employees are seeking meaningful ways to augment their take-home pay and minimise their out-of-pocket expenses for essentials like transport and healthcare.

Businesses need to conduct a thorough evaluation of benefits that genuinely matter — those that make a tangible difference to the work and personal lives of their employees and can bring about greater engagement, satisfaction, and retention. The best benefits don't need to cost companies the world, rather they should focus on providing practical solutions and real financial advantages that effectively address the evolving needs and concerns of employees in today's, well, merciless economic landscape.



**Get in touch and see  
how Flare can help  
your business set  
up their workplace  
benefits.**

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