Isio insights

Old job, new tricks

Maximising value from employee benefits

Isio surveyed[1] over 7,500 private sector employees and this series of papers puts the spotlight on our key insights.

1.Isio's June 2023 survey in conjunction with YouGov of 7,674 UK private sector employees. Responses for don't know or prefer not to say answers have been removed, unless explicitly shown.

In the first of our series, we look at the role of the employee benefits package in helping to reduce employee turnover.

Is there a link between the employee benefits package and retention? Could getting your benefits "right" help to reduce the cost of employee turnover?

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Movers and Shakers.

The UK has one of the highest voluntary employee turnover rates in Europe[2], with around 27% of employees choosing to leave their jobs between 2020 and 2021[3].

2. Job turnover by occupation in the EU, 2021

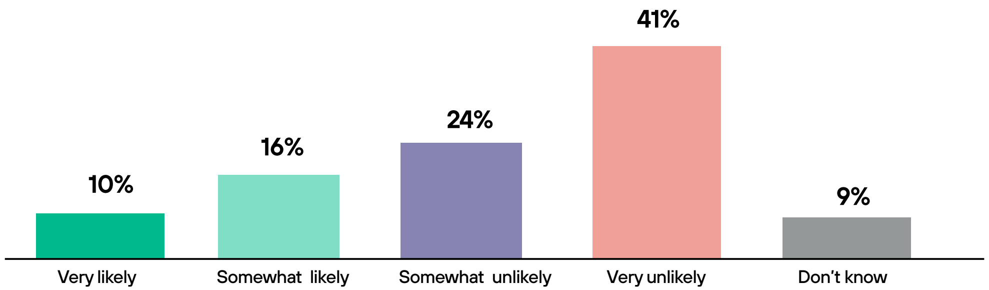
3. CIPD Community

Although some degree of employee turnover is inevitable, and indeed necessary to bring new ideas into an organisation, research suggests that losing and **replacing an employee can cost between 80-200% of the employee's salary[4]**. Further, high employee turnover can cause headaches when vacancies are hard to fill and can have a negative impact on company culture.

4. Oxford economics: cost of the brain drain

In this short paper we will look at who is looking to move jobs, and (spoiler alert) how the right benefits in the right place could have a dramatic effect.

To start with, we were curious to know whether the painfully high employee turnover rate was set to continue or if it was a post-pandemic hangover. In our survey[1], we asked: "**how likely are you to move jobs in the next 12 months?**"



The results illustrate that 26% of those who responded are very or somewhat likely to move jobs in the next 12 months, which is, unfortunately, consistent with recent levels of employee turnover. To understand the problem better we looked at who these people were.

Age is a dominant factor; with 37% of those under 35 very or somewhat likely to move jobs.

Renters who live in London were also more likely to consider moving – with 37% interested in changing employers.

Having a lower personal income level did not sway opinion.

It's all about confidence.

A fascinating theme that emerged from our analysis from an employee benefits perspective is a connection between **financial confidence** and expected **employee turnover**.

Of those who were financially confident in their decision making, 69% were likely to stay with their current employer, vs 64% in the wider population.

The financially confident are more likely to want to **stay** with their employer

Conversely, of those with less financial confidence, 32% were likely to move employers vs 26% in the wider population.

The financially unconfident are more likely to want to **leave** their employer

"There is real monetary value to an employer in providing relevant, engaging financial education and support to employees."

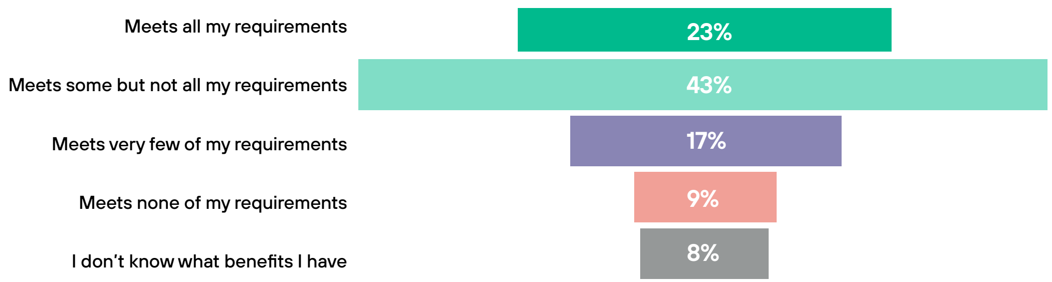
Will Aitken

It's not an illusion.

Aside from an investment in financial education and support, what else can be used to tackle turnover within a workforce? We have, in fact, another trick up our sleeve. And that is the link between employee benefits and retention.

To measure the value of the employee benefits package, we asked the 7,500 employees[1]: **Do you feel your current benefits package meets your requirements (excluding pay and bonus)?**

My benefits package...



Over a quarter of employees showed significant discontent with their current benefits package and a further 8% worryingly didn't know what benefits they had. This varied significantly by industry sector, as shown overleaf.

We then looked more closely to see if responses were associated with how likely a person was to move jobs in the next year.

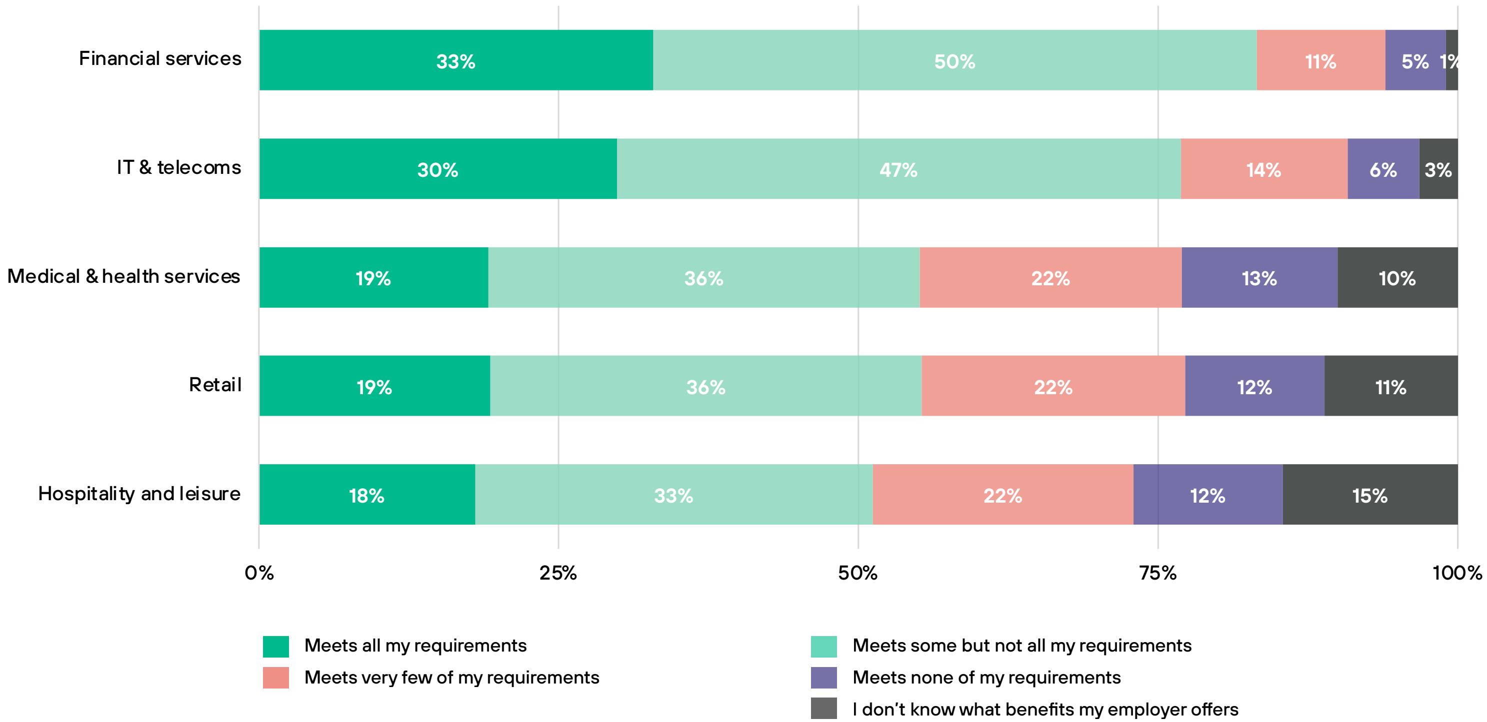
Employees who **thought their benefits package met none or very few of their requirements were significantly more likely to quit in the near future**, with 16% planning to move jobs, vs 10% in the wider population.

Conversely, those **who thought that their benefits package met all of their requirements were less likely to move jobs**, with 58% having no plan to move job, vs 40% in the wider population.

This is a logical story: employees who dislike their benefits package are more inclined to move job as they are being provided with reward that they do not value. They could regard themselves as effectively being paid less than their peers. However, the numbers here provide some hard evidence of the potential savings that could be unlocked by a well-designed benefits package.

Industry matters.

Given that employee turnover varies significantly between industry, we looked at whether the responses to this question also varied by industry. As illustrated below, there are stark differences.



Employee benefits meet all of the needs of 33% of employees within the financial services sector. However, within hospitality and leisure, this dropped to only 18%, with a further 15% not knowing what benefits their employer offered.

There will be conflating factors in action here. Typically, the benefits packages offered in the financial services sector are more generous than those offered in retail and hospitality, and employees may have a better understanding of what is available. However, the retail and hospitality industries are also more likely to have a more diverse workforce than the financial services sector and, as we will discuss further in our next paper, current employee benefit packages tend not to be fully inclusive.

The retail and hospitality sectors historically have the highest levels of turnover. Given the link we've just established between benefits and turnover, companies in these industries could benefit measurably from re-designing their employee benefits to better meet the needs of employees (and without necessarily spending more).

A recap of the big reveal.

- Employee turnover is high, it's expensive, and it's not reducing.
- Our data indicates that the financially confident are more likely to want to stay with their employer and the financially unconfident already have one foot out the door.
- Our research suggests a potential link between the effectiveness of an employee benefits package and employee turnover. People who do not value their employee benefits package are more likely to want to change job, while those who do value their employee benefits package are more likely to want to stay.
- Overall, therefore, there is untapped potential for an employer in both ensuring as many employees as possible feel their benefit package meets their needs and in maximising financial confidence across a workforce. Both actions are expected to reduce employee turnover.

What's next?

In the next paper we will look at which benefits retain employees vs those that might tempt them to move to another employer, and what a more inclusive benefits package might look like.

In the meantime, we ask that you consider the following questions:

What is the cost of your annual employee turnover? How much could you save in annual costs if you were able to reduce turnover by even 2-3%?

Do you know how satisfied your employees are with your benefits package? How many might fall into the 8% who do not know what benefits they have access to? Is the money being spent on benefits for this 8% effectively being flushed away?

Contact.

Will Aitken
will.aitken@isio.com
020 8154 5024

Nic Lywood
nicola.lywood@isio.com
020 8154 5010

Sinead Heath
sinead.heath@isio.com
028 9692 2983

Claire O'Neill
claire.oneill@isio.com
028 9590 9700

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