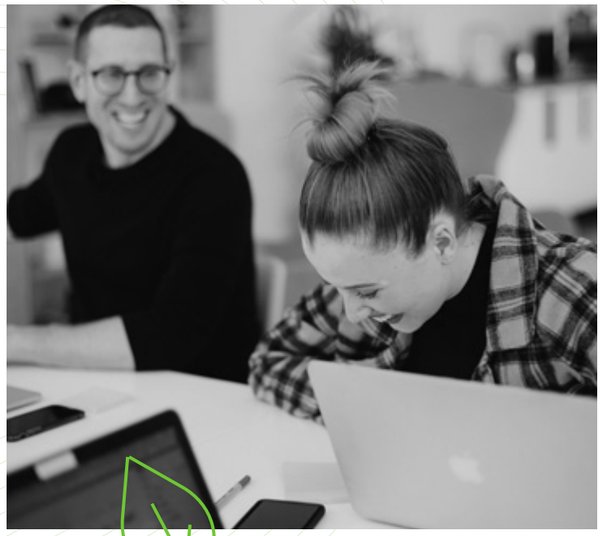
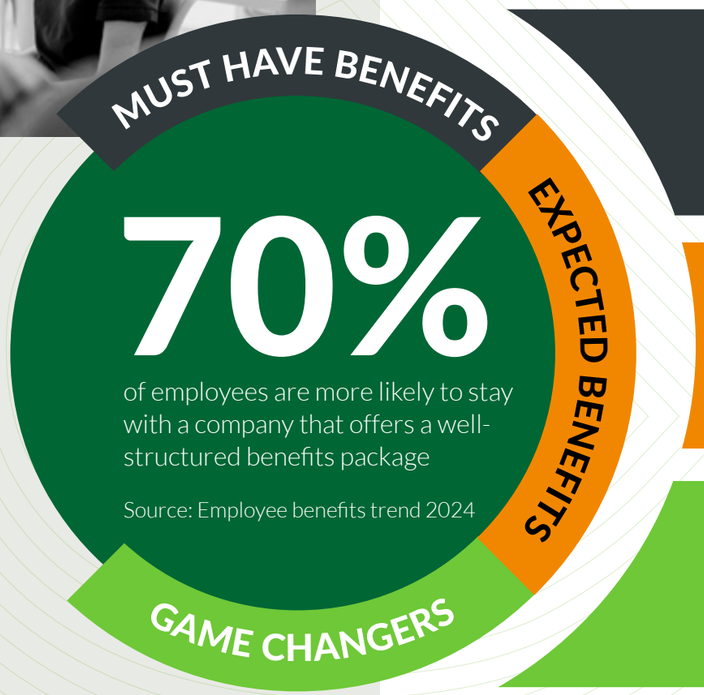
PARTNERS

Your guide to transforming employee benefits in 2025

A benefits structure fit for 2025





Executive summary

Strategic benefits drive retention & engagement – employees prioritise benefits that support financial, mental, and physical wellbeing. Employers must go beyond traditional perks to create a comprehensive, value-driven benefits package.

Data & technology enable smarter benefits decisions – Using HR analytics, digital benefits platforms, and AI-driven tools can enhance employee experience, streamline administration, and ensure benefits remain relevant in a competitive talent market.

70% of employees are more likely to stay with a company that offers a well-structured benefits package

Source: Employee benefits trend 2024

Employee benefits are no longer just a compliance necessity but a critical driver of business success.

As workforce expectations evolve, organisations must rethink their benefits strategy to attract, retain, and engage top talent. This guide explores key trends shaping the future of employee benefits in 2025, highlighting the importance of personalised, flexible, and wellbeing-focused offerings. Leveraging data and technology will be crucial in designing benefits that align with employee needs while ensuring business sustainability. Now is the time to innovate and build a future-ready workforce through a strategic, holistic approach to employee benefits.

Pension
Maternity/ Paternity Pay
Holiday Pay

Group Life Assurance
Mental Health Support
General Wellbeing Support

Income protection
Health Insurance
Health Cash Plans

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Foreword

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At the heart of every business, large or small, lies its people, its most valuable, yet unpredictable asset.

Every year, businesses rightly invest a lot of time and money defining their client proposition - from how you'll attract that critical client base to retaining long-term, loyal customers, the focus is almost always on the end client.

But what about your people?
Your team and the skills they bring are vital to the success of your business. You spend a considerable amount of time recruiting to ensure you find the right person – someone that who not only brings experience and expertise, but and is also a good fit for your team.

In the current environment, organisations need to have a people strategy. Ensuring you have a valued wellbeing, health and protection programme in place will help you to retain and attract the best talent – it will also help you shape the future of your business.

The importance of taking care of your people

65%

of candidate consider employee benefits as a crucial factor when evaluating job offers.
Source: Employee benefits trends 2024

Implementing the right people strategy can create a work culture that promotes happier and healthier employees, in turn increasing business resilience to today's challenges and enabling your organisation to thrive. There's never been a more important time to prioritise the wellbeing of your teams.

Employee benefits have undergone significant transformation since their inception in the early 20th century. Arguably, the roots of modern employee benefits can be traced back to 1911 with the introduction of the National Insurance Act. This legislation mandated contributions to various services, including sickness, disability, and maternity benefits.

Fast forward to 2025, employee benefits are no longer limited to government-mandated provisions. Leading employers across the UK are leveraging benefits as a strategic tool to optimise workforce engagement, reduce absenteeism, attract top talent, and support employee wellbeing. As the scope and spend on employee benefits reach unprecedented levels, businesses must ensure their offerings are understood, valued, and effectively tailored to meet the diverse needs of their people.

This white paper explores the evolution of employee benefits, key trends shaping the future, and strategies to develop a benefits package fit for 2025 and beyond.

Listen to the podcast!
The future of employee benefits: What people leaders need to know in 2025. **Listen now!**

The must haves

Pension – Auto-Enrolment and Beyond

A robust pension scheme is a cornerstone of any employee benefits programme. With the UK's auto-enrolment legislation, employers are required to provide a workplace pension to eligible employees, contributing a minimum of **3% of qualifying earnings**, alongside the employee's **5% contribution.**

However, going beyond the statutory requirements can enhance employee satisfaction and retention. Research by the Chartered Institute of Personnel and Development (CIPD) shows that **nearly 60% of employees value pension contributions as one of their most important benefits.**

Forward-thinking companies are offering:

- **Enhanced employer contributions:** Many employers now match contributions of up to 10% or more.
- **Financial education sessions:** 65% of employees say financial worries negatively impact their mental health.
  Close Brothers Financial Wellbeing Index
- **Flexible contribution schemes:** Salary sacrifice options can reduce National Insurance costs for both employers and employees while boosting take-home savings.

Top Tip: Leveraging integrated pension platforms can streamline administration, provide employees with real-time access to their pension accounts, and support smarter savings decisions.

Going beyond the statutory requirements can enhance employee satisfaction and retention

Maternity Pay – Supporting Parents with HR Expertise

Enhanced maternity pay is a clear signal that an organisation values and supports working parents. Statutory maternity pay in the UK currently provides **90% of average weekly earnings for the first 6 weeks,** followed by up to **33 weeks at £184.03 or 90% of earnings (whichever is lower).** However, many organisations are recognising the importance of offering more generous policies to attract and retain talent.

Statistics underscore the impact of enhanced maternity benefits:

- According to Glassdoor, **67% of job seekers** consider family-friendly benefits, such as maternity and paternity leave, crucial when evaluating job opportunities.
- A study by Working Families found that **80% of parents** said workplace flexibility and support during maternity leave were key factors in remaining with their employer.

Employers are enhancing maternity pay by:

- Extending full or partial pay for longer durations, **often up to 6 months or more.**
- Offering **flexible return-to-work arrangements,** such as phased returns or remote work options.
- Providing tailored support through **HR people services,** including maternity coaching, childcare guidance, and return-to-work assistance.

Top Tip: Clear communication from HR, including pre and post-leave check-ins, helps employees feel valued and supported throughout their parental leave journey.

Key takeaways

60% of employees value pension contributions as one of their most important benefits

65% of employees say financial worries negatively impact their mental health.
Source: Close Brothers Financial Wellbeing Index

67% of job seekers consider family-friendly benefits - such as maternity and paternity leave - crucial

Enhanced maternity pay is a clear signal that an organisation values and supports working parents.

The must haves

Holiday Pay – Ensuring Compliance and Engagement

Providing competitive holiday pay and entitlement is essential for attracting and retaining talent. The statutory minimum in the UK is **28 days of paid annual leave** (including public holidays) for full-time employees. Offering enhanced leave entitlements can significantly boost employee morale and loyalty.

Statistics reveal the importance of generous holiday policies:

Research from Glassdoor shows that **72% of employees** consider paid time off a top priority when assessing job offers.

Studies by HR News indicate that employees who feel they have sufficient time off are **33% more likely to stay with their employer long-term.**

Companies are going beyond the statutory minimum by:

Providing **additional paid leave,** such as birthday leave, volunteering days, or extended vacation time for long-serving employees.

Offering **flexible holiday-buying schemes,** allowing employees to purchase additional days off.

Supporting work-life balance by encouraging employees to fully utilise their leave entitlement.

Top Tip: Ensure holiday pay policies are transparent and consistently applied. Utilise HR technology to manage leave requests efficiently and avoid burnout among your people.

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Providing additional paid leave, such as birthday leave, volunteering days, or extended vacation time for long-serving employees.

Offering flexible holiday-buying schemes, allowing employees to purchase additional days off.

Did you know...?

80% of parents said workplace flexibility and support during maternity leave were key factors in remaining with their employer

Source Gender quality charity report 2024

72% of employees consider paid time off a top priority when assessing job offers

Source: ProcareHR 2024

81% of people agree or strongly agree that they notice increasing feelings of burnout, exhaustion or poor mental health when they can't take time off work

Source: Breathe burnout epidemic 2024

Utilise HR technology to manage leave requests efficiently and avoid burnout among your people.

Expected

Group Life

Group life insurance policies are a type of life insurance that covers an entire group of people under one contract. Typically, the policy owner is an employer or organisation, and the policy covers employees or members of the group.

Group life is rapidly emerging, reflecting a shift in employee and candidate priorities. As more individuals seek financial security and added perks from their employers, companies are recognising the value of including group life assurance as either a foundational or supplementary benefit.

The increasing emphasis on group life assurance stems from its ability to provide comprehensive support beyond traditional life insurance.

According to recent surveys, over **60% of employees rank financial security and health-related benefits among their top considerations when evaluating job offers.** Employers are leveraging group life arrangements to meet these expectations and enhance their benefits packages.

Traditionally, many group life schemes have had a cease age of 65 or aligned with the state pension age. However, as workforce trends evolve and **45% of employees aged 55 and older** express a desire to continue working beyond the typical retirement age, companies are adjusting their policies. Increasing the cease age allows organisations to accommodate older employees, ensuring that their dedication and contributions are matched by inclusive benefits.

Unlocking Added Value: To derive the full value from group life assurance, it's crucial to explore the additional benefits often bundled into these policies. Beyond financial coverage, these offerings frequently include: Mental Health.

Mental Health Support

With **one in four adults in the UK experiencing mental health challenges annually,** addressing mental wellbeing is a critical priority. Group life assurance often integrates access to **Employee Assistance Programmes (EAPs),** which offer confidential counselling, crisis support, and guidance on mental health. Ensuring employees know how to access and utilise these resources is vital for maximising their impact.

General Wellbeing Services

Proactive wellbeing measures can transform a benefits package. Commonly included services such as **virtual GP consultations, gym membership discounts, and wellbeing-focused initiatives (e.g., wellness days)** foster healthier, more engaged employees. A focus on preventive care not only boosts morale but also improves productivity and reduces absenteeism.

Did you know...?

60% of employees rank financial security and health-related benefits among their top considerations when evaluating job offers

Source: PwC Employee Wellness survey 2023

One in four adults in the UK experience mental health challenges annually - making addressing mental wellbeing is a critical priority

Source: General health uk

Top Tip:
To maximise the value of group life assurance, employers should conduct regular reviews of the additional benefits included in their policies. Effective communication ensures employees understand and utilise the resources available to them.

The game changers

Income Protection

With **only 10% of employees in the UK** currently having access to income protection benefits, offering this policy is an excellent way to distinguish your employee benefits package. Income protection provides financial security to employees by covering a portion of their salary in case they are unable to work due to illness or injury.

Recent market developments have focused on enhancing flexibility in both benefits and premiums, making this policy more accessible to businesses of varying sizes and across diverse sectors. According to a report from the Association of British Insurers (ABI), the number of income protection **claims paid out in 2022 exceeded 97.6%,** highlighting its reliability and value.

Private Medical Insurance (PMI)

The value of providing PMI to employees has never been more significant, particularly with NHS waiting lists at record levels. In 2023, **NHS elective care waiting lists in England reached over 7 million people,** with many waiting months for essential consultations or treatments.

Health insurers are increasingly innovating to address these challenges, offering digital consultations and virtual treatment options to provide members with faster access to qualified professionals. Historically, PMI was reserved for senior staff, but there's a growing trend of offering this benefit across entire workforces. In fact, a study revealed that **nearly 70% of employees with PMI** consider it a critical benefit and actively look for similar coverage in future roles.

However, the PMI market faces challenges, including rising treatment costs that have driven premiums to increase at rates exceeding inflation. To maintain sustainable pricing, companies must:

- **Understand policy benefits** in detail: Evaluate what is included, such as wellness programs, virtual GP services, or mental health support.
- **Leverage underwriting insights:** Analyse employee health and wellbeing trends to align policies with needs effectively.
- **Work with independent advisers:** Experts can assess the market and recommend tailored solutions to meet budget constraints and benefit requirements.

Top Tip: Collaborate with independent advisers annually to review the market and adjust your PMI arrangements for maximum value and impact.

Health Cash Plans

Health cash plans offer everyday health support, making them a highly engaging benefit for employees. These plans typically include reimbursement for dental and optical expenses, as well as access to other health and wellbeing services.

A key advantage is their flexibility: health cash plans can be offered at a **fixed cost per employee,** with optional upgrades available for employees to tailor their coverage. According to research, **75% of employees enrolled in health cash plans** report using their benefits regularly, emphasising the practical value of these policies.

Did you know...?

97.6% of protection claims in 2022 were paid out, highlighting its reliability and value

Source: ABI 2024

7m people are on NHS elective care waiting lists in England

Source: NHS England

Conclusion

Employee Benefits: A Strategic Imperative for Business Success

Employee benefits have evolved significantly, transitioning from basic provisions to powerful strategic tools that are central to a company's success. In today's rapidly changing workplace, benefits are no longer just about meeting basic employee needs; they have become critical for attracting top talent, retaining high performers, and fostering a thriving organisational culture.

Embrace the evolving landscape. Now is not the time to stand still.

The workforce of 2025 and beyond is characterised by diversity, digital fluency, and shifting priorities. Employees increasingly value benefits that offer personalisation, flexibility, and meaningful support in their professional and personal lives. Employers must rise to the challenge by leveraging data and technology to craft benefits packages that are as dynamic as their workforce.

Data-Driven Insights: By analysing employee preferences, usage patterns, and industry benchmarks, businesses can identify the most impactful benefits and prioritise investments where they matter most. For example, data might reveal a growing demand for mental health support, flexible work arrangements, or family-focused benefits, enabling companies to stay ahead of the curve.

Technology-Enabled Solutions: Advances in HR technology make it easier than ever to deliver benefits that are tailored, accessible, and scalable. Tools like digital benefits platforms, mobile apps, and AI-driven recommendation engines can streamline administration while enhancing the employee experience.

Innovation as a Competitive Edge

To thrive in an increasingly competitive talent market, businesses must embrace innovation in their approach to employee benefits. This means not only offering traditional benefits like pensions and insurance but also exploring creative solutions such as:

- **Wellbeing initiatives** that address physical, mental, and financial health holistically.
- **Flexible benefits packages** that allow employees to select options that align with their unique needs and lifestyles.
- **Sustainability-focused benefits** that appeal to environmentally conscious employees, such as green commuting incentives or eco-friendly savings programs.

By prioritising the unique needs of their workforce and staying attuned to emerging trends, companies can position themselves as employers of choice. This focus fosters deeper engagement, drives retention, and ultimately fuels long-term business success.

A Future-Ready Workforce

The evolution of employee benefits is not just about responding to current demands but also preparing for future challenges. Organisations that prioritise innovation and adaptability in their benefits strategies will be better equipped to attract and retain talent in an ever-changing environment.

By aligning benefits with business goals and employee expectations, companies can create a work environment that empowers individuals, strengthens organisational resilience, and ensures sustained success in 2025 and beyond.

Business Protection: Safeguarding Long-Term Success

While employee benefits are essential for retention and engagement, business protection plays a crucial role in securing long-term stability. A well-structured protection strategy ensures a company can navigate unexpected events, such as the loss of a key employee or business owner, without compromising financial health or operational continuity.

According to the Legal & General State of the Nation Report, the top three risks businesses face are:

52% – Death of an owner or key employee

38% – Loss of a major contract

35% – A key employee suffering a critical illness

To mitigate these risks, businesses should:

Identify Key People: Assess individuals whose loss would significantly impact revenue, operations, or client relationships.

Evaluate Financial Exposure: Determine the potential financial impact and develop contingency plans to offset risks.

Implement Business Protection Policies: Options such as key person insurance, shareholder protection, and income protection ensure financial security in critical situations.

Work with a Protection Adviser: Expert guidance helps tailor policies to a company's specific needs and secures favourable underwriting terms.

Without these safeguards, companies risk stagnation, financial instability, and potential downsizing in the wake of unforeseen events.

Advice that makes a difference

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