

AON

Benefits and Trends Survey 2022



Contents



Introduction



Colin Barnes,
Head of Advisory and Specialities

At Aon we are in the business of helping make better decisions. Data plays an important and pivotal role in achieving this, and our 12th annual UK Benefits and Trends Survey 2022, provides a great launch point. Supported by strong completion numbers from a wide spectrum of industries, companies of all sizes, and a cross section of roles, this year's survey provides compelling insight into what UK plc is thinking about its benefits provision strategy and how it is going to continue to do the best by its people.

If 2021 was dominated by the C word, it feels like 2022 is going to be dominated by the three-letter acronym - DEI, ESG, CSR. There is a war for talent looming, and with an aging workforce, attracting and retaining talent will be critical to business success. The choice will be plentiful for the labour force, and we think they will choose carefully, seeking an employer who provides purpose, one that offers diversity, equity and inclusion (DEI) and one that shows genuine care for its impact on the planet, the community in which it operates and the people that it employs (ESG - Environmental, Social, Governance and CSR - Corporate Social Responsibility).

Coming to terms with the demands of a labour force that is younger, expectant of flexibility and prepared to go it alone in the gig economy, will demand deeper thinking on how your Employee Value Proposition (EVP) evolves, how it is communicated and delivered, and how the impact and value it is deriving is measured and reviewed.

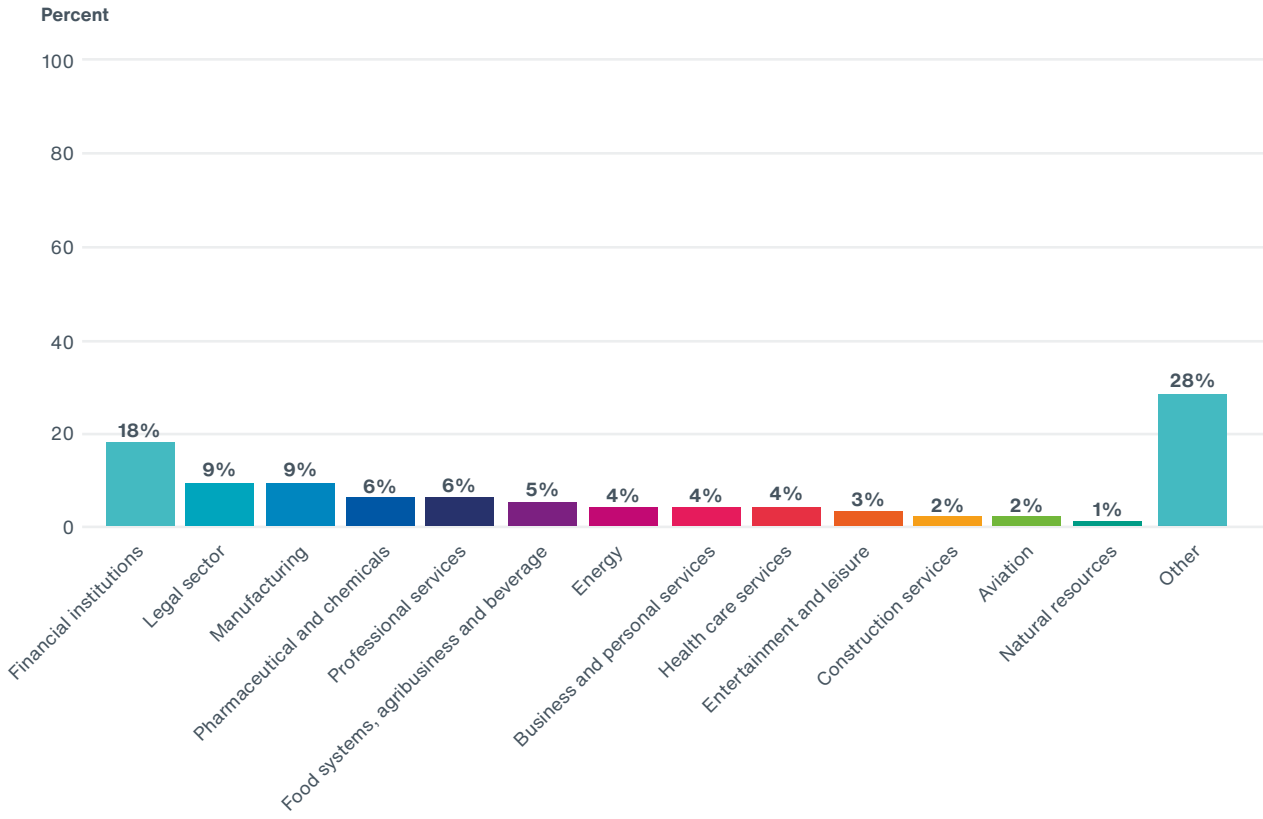
We think that this year's survey can support, reinforce, evolve and shape some of your thinking in these areas.

The survey was completed in Autumn 2021 by 250+ senior HR, reward and employee benefits professionals from varying industries and company sizes.

Please note where the total percentage of respondents add up to more than 100%, this is due to percentages being rounded up to the nearest decimal place and/or respondents being able to select more than one response.

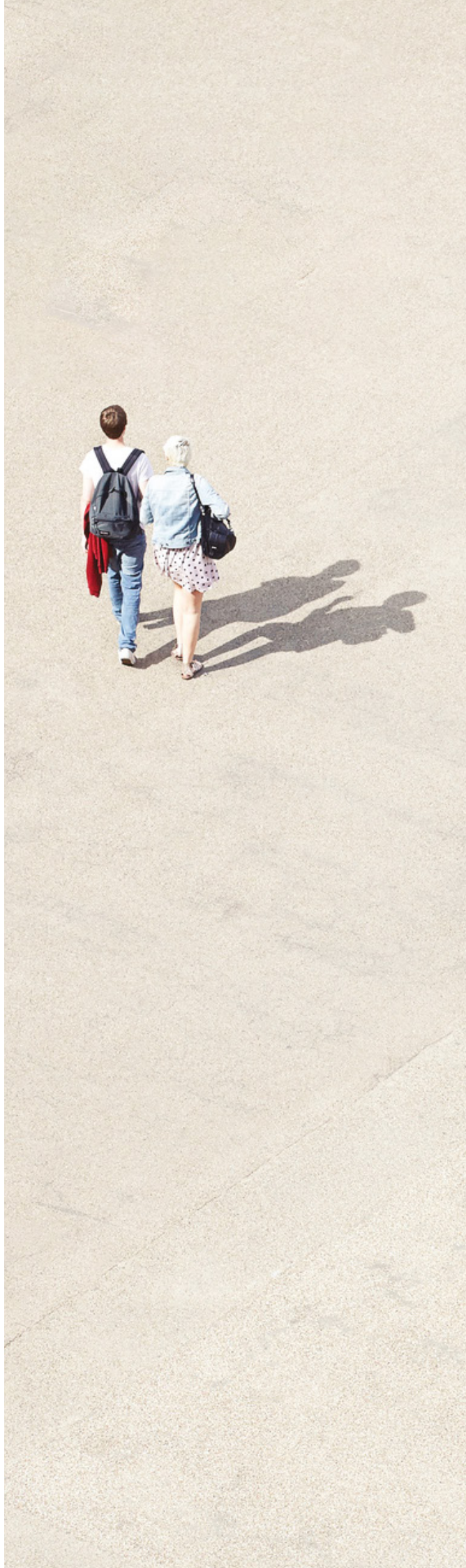
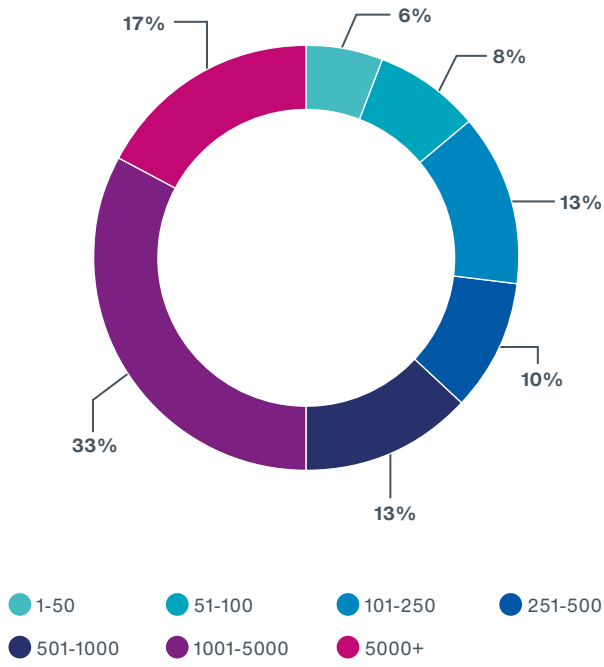


Industry Sector



1

How many employees does your organisation have?



2

Benefits Strategy and Design



Benefits Strategy and Design



Richard Morgan
Principal – Strategic Consultant

Key Findings and Insight

In this era of Covid, we have seen some fundamental changes in companies' benefits strategies and their overall Employee Value Proposition (EVP). Topping the list of changes are flexible/agile working and wellbeing. Employers are also having to fight harder to recruit and retain talent, with many now needing to pay higher salaries and entice new recruits with signing on bonuses. Other macro trends are also impacting employee benefits as employers develop more of a sense of purpose, particularly around Diversity, Equity and Inclusion (DEI) and Environment, Social and Governance (ESG): around 95% of respondents say their organisations have already made changes to their benefits to support these areas or are planning to do so.

Engaging employees remains the main objective for organisations as they grapple with changing employee needs and multi-generational workforces.

Just under half (42%) of employers feel they're not meeting employees' needs, while 93% say employees' expectations of their work experience are changing. So, while agile and flexible working are still what most employees are looking for, how employers deal with mental health, DEI and ESG have shot up in importance. Even the desire to dress down at work has increased considerably.

With the need for flexibility underpinning many of these issues, flexible benefits remain popular, particularly with larger employers. However, there also seems to be a move with many smaller employers looking at introducing flexible benefits in the next few years.

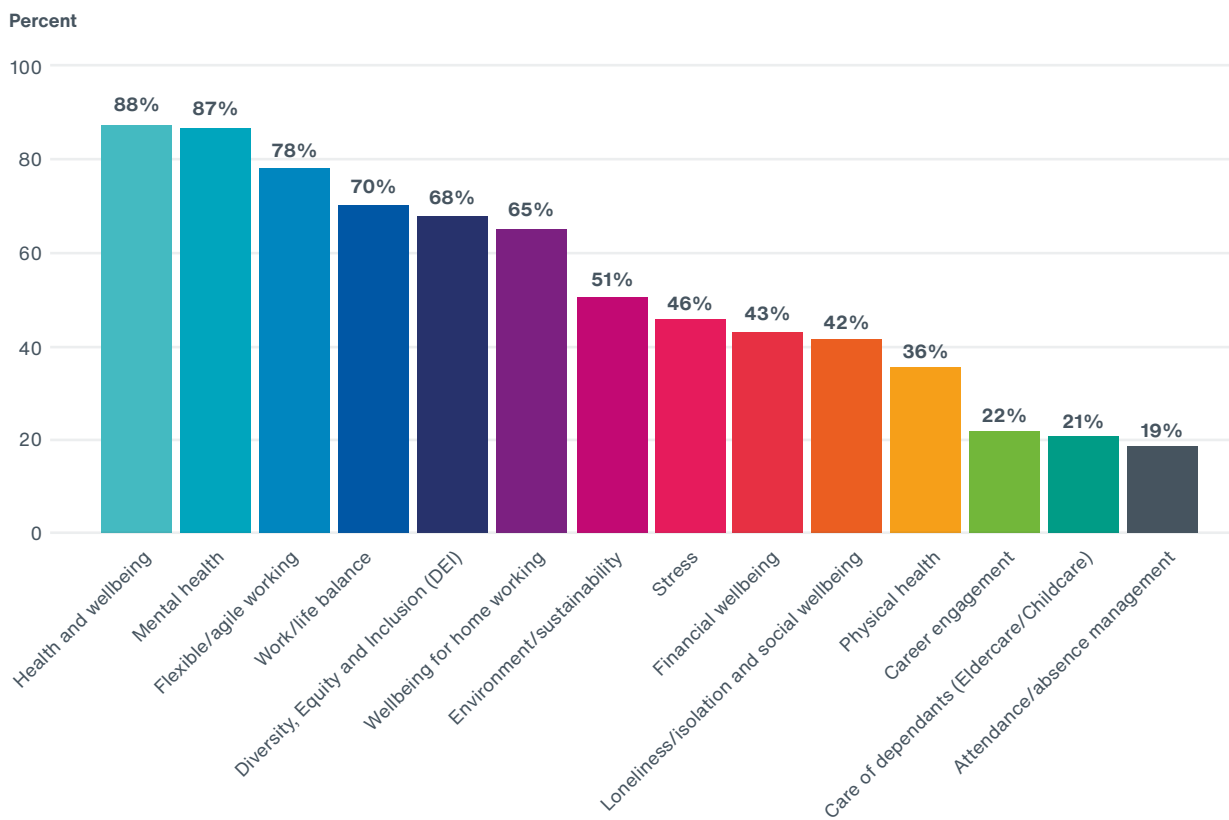
This year we also see a continuation of the trend to improve – and equalise – maternity and paternity pay. The market has maintained its move in heading for six months full pay during maternity leave and for paternity leave to be increasingly paid at the same rate as maternity pay.



Q1. Which of the following areas have seen increased emphasis in your business in the last 12-24 months?

The top responses are broadly similar to last year's survey results, with almost 90% of respondents saying they have increased their emphasis on health and wellbeing along with mental health in the last 12-24 months.

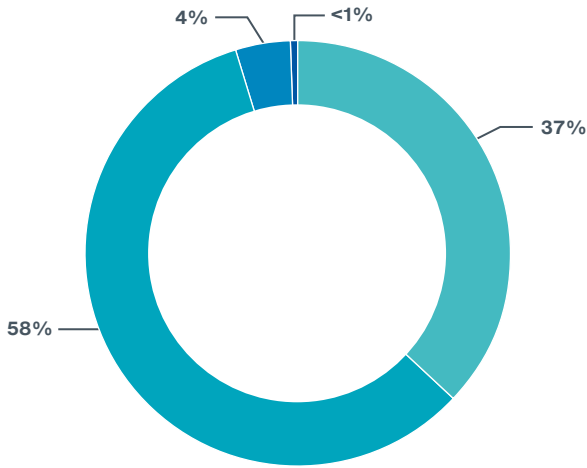
This year we included some new responses for flexible/agile working and environment/sustainability, both of which are in the top seven issues. Diversity, equity and inclusion (DEI) has also risen in importance with 68% saying they have an increased emphasis on this issue compared to 46% last year.



2

Q2. Have you provided additional allowances for your staff if they had to work from home in the last year such as subsidies for WiFi, electricity, equipment to aid home working etc?

With many employees now working from home at least some of the time, 37% of companies are providing additional allowances to provide financial support for the various costs of running a home office.



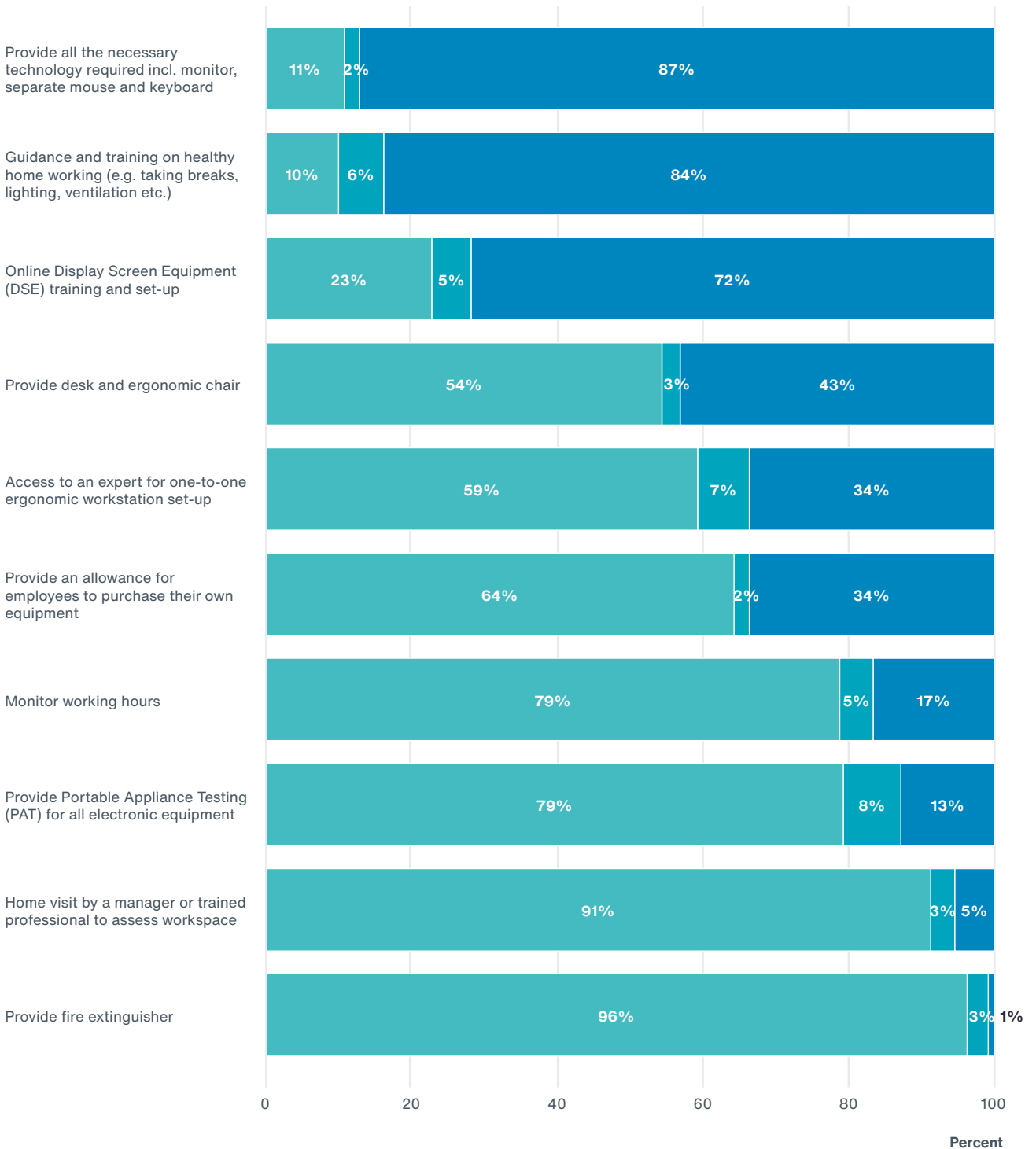
- Yes
- No
- The majority of employees continued to travel to work
- The majority of workers were already home workers



2

Q3. How do you support the wellbeing of employees working from home?

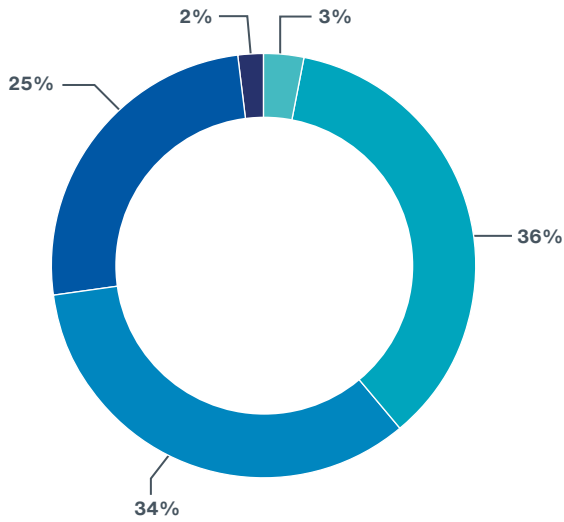
By far the most common support being provided for home working is the necessary technology including monitor, mouse and keyboard provided by 87% of companies. Eighty-four per cent of companies are supporting people with maintaining healthy routines when working from home, such as ensuring sufficient light and ventilation as well as making sure to take regular breaks. Just under half (43%) provide desks and chairs with a third also providing an allowance for employees to buy their own equipment.



2

Q4. What are your plans for returning your employees to their original place of work?

When it comes to returning to the office, only 3% say they plan for their employees to be back in the office 100% of the time. The majority (70%) expect people to be in the office for some days each week, evenly split between 1-2 days and 3-4 days a week, with 25% being more flexible depending on work requirements.



- Back to their work location 100% of the time
- Back to their work location 3-4 days per week with the rest of their time at home
- Back to their work location 1-2 days per week with the rest of their time at home
- Return on an ad-hoc basis dependent on their schedule such as traveling in for meetings
- Our employees will now become home workers



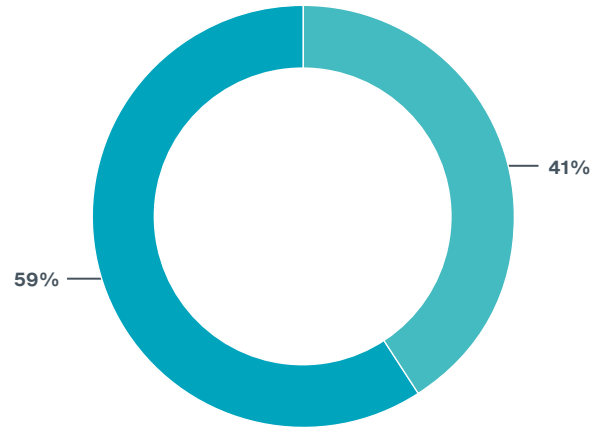
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Q5. With recruitment, are you finding it more difficult to attract new staff?



● Yes
● No

Q6. Are you finding it more difficult to retain staff?

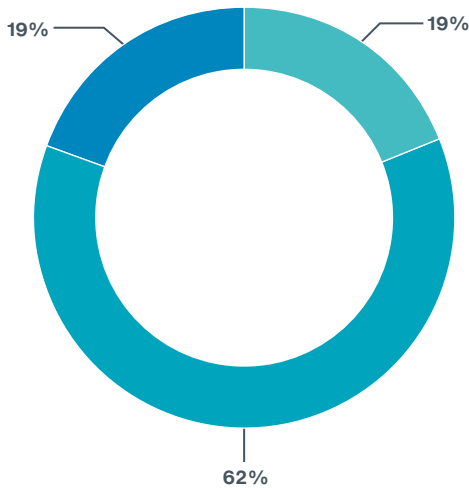


● Yes
● No

Recruitment and retention issues seem to be increasing with 44% saying it's more difficult to attract new staff and 41% struggling to retain their people. Pay is clearly under pressure, but companies are also now paying sign-on bonuses and referral bonuses as well as offering flexible working to help attract candidates.

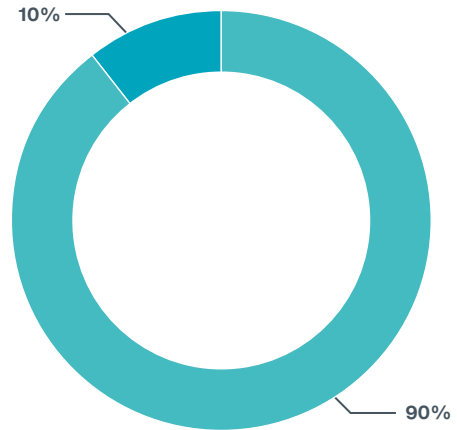
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Q7. Do you have a clear Employee Value Proposition (EVP)?



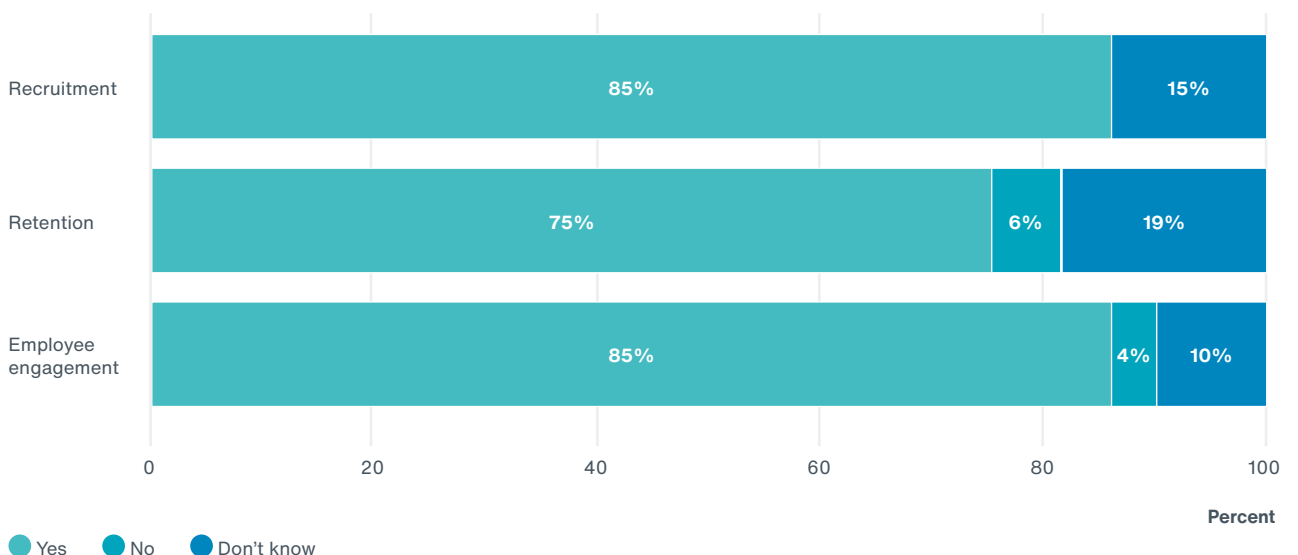
- Yes
- No, but planning on developing one
- No plans to develop

Q8. Is the EVP communicated and explained to employees?



- Yes
- No

Q9. Do you believe your EVP has a positive impact on the following?



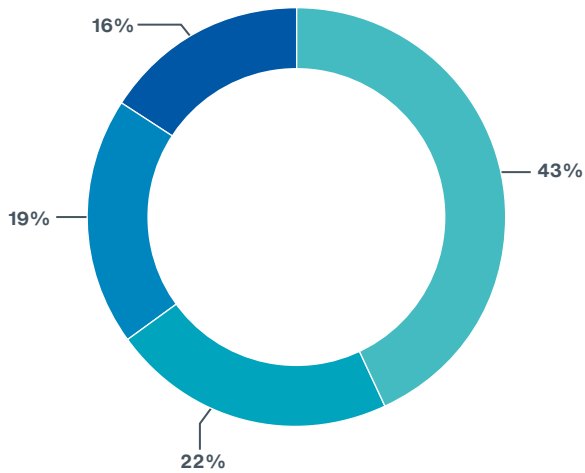
- Yes
- No
- Don't know

More employers either have a clear Employee Value Proposition (EVP) or are planning to develop one than in previous years, increasing from 71% last year to 81% this time round. The EVP components vary considerably, but key themes are wellbeing, treating people fairly/caring and flexibility as well as establishing clear values and principles. Employers have also recognised the need to embed their EVP by communicating it to their employees which is now at 90% – a marked difference from a few years ago when many EVPs seemed to be gathering dust on a shelf. The approach seems to be bearing fruit with the vast majority saying their EVP has a positive impact on recruitment, retention and engagement.

2

Q10. What is your situation with regard to online benefits?

The number of employers operating flexible benefit plans remains stable at 43% with a further 19% planning its introduction within the next three years. However, flexible benefit plans are much more prevalent within larger employers with 61% of companies with more than 1,000 employees already having a scheme and 14% planning to introduce flex. By contrast, only 13% of firms with fewer than 250 employees already have flex although 20% are planning to introduce a scheme.



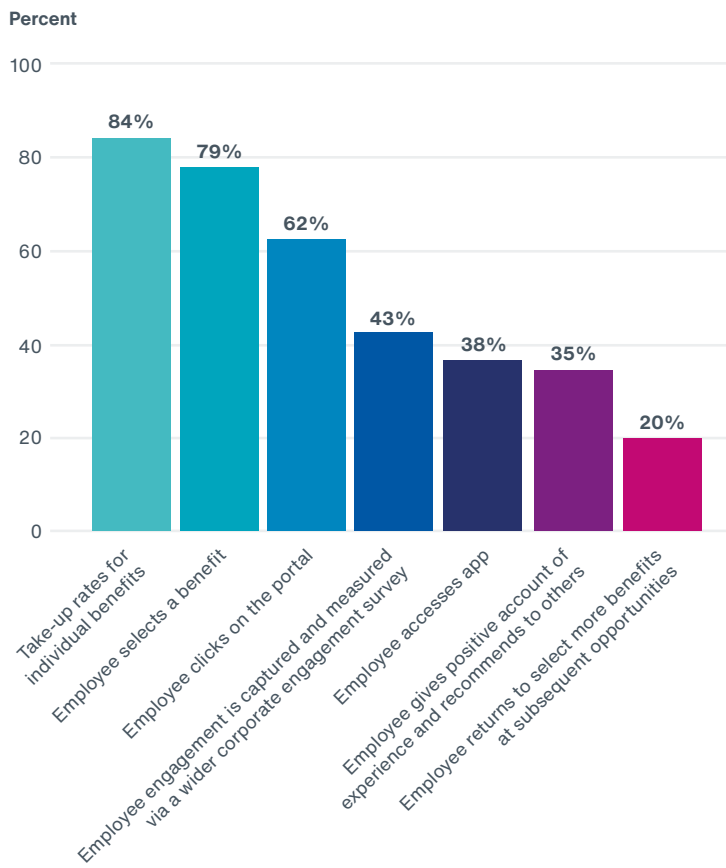
- We have already introduced an online benefits/flex portal
- We have no plans to introduce online/flexible benefits
- We will be introducing in the next three years
- We offer Voluntary Benefits only



2

Q11. Thinking about employee engagement with your online/flexible benefit portal, do you typically measure this via one or more of the following?

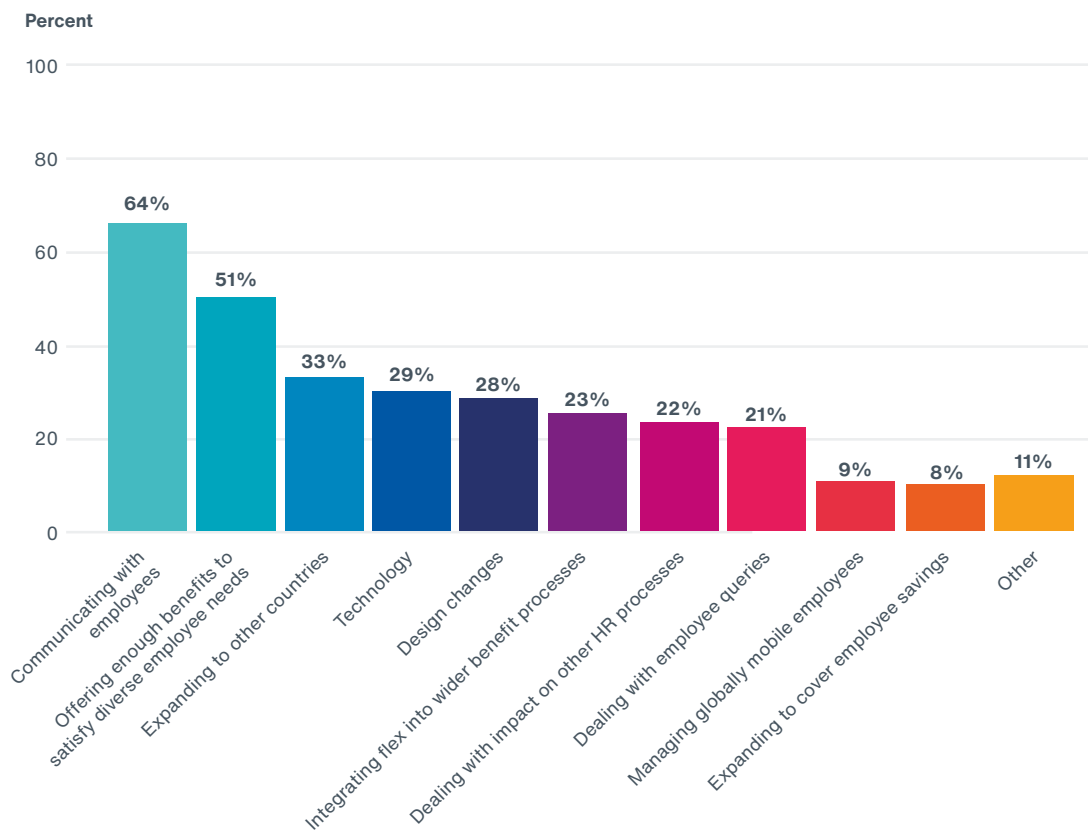
Most employers continue to measure engagement in flex through take-up rates and portal access. Far fewer look for deeper insights through employee feedback and engagement surveys which would reveal how employees feel about the benefits on offer even if they don't necessarily take them up. It also appears that few companies delve into the data to understand other patterns that would not be evident from the headline take-up rates, such as changes at life events or how take-up varies for different demographic groups.



2

Q12. What are the three top challenges you face in respect of your flex scheme?

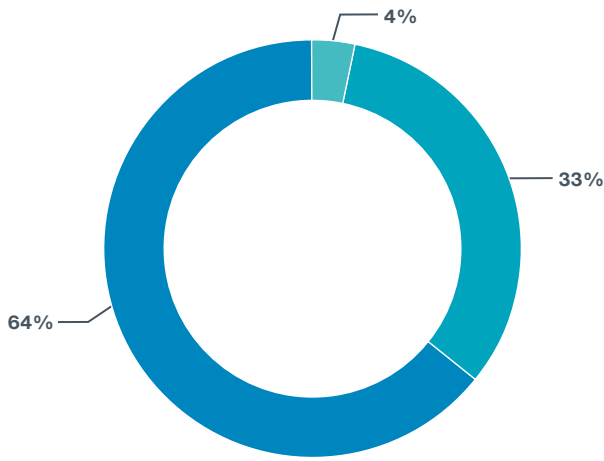
Most flexible benefit plans seem to run without any major issues in terms of technology and administration. The returning issues cited by more than half of respondents are communication and offering the right range of benefits to meet the diverse needs of their employees. On this last point we are now seeing more clients implementing “flexible spending accounts”, which allows employees far greater choice with the ability to reclaim costs for anything from home gym equipment to home charging points for electric cars and alternative health remedies.



2

Q13. Do you have an app to allow employees to access flexible benefits?

More employers are looking at making their benefits more accessible and aligned with a consumer-grade experience by introducing an app, which offers a secure way for employees to manage their benefits on the move and without having to remember login credentials, going from 26% in 2021, to 33% in 2022.

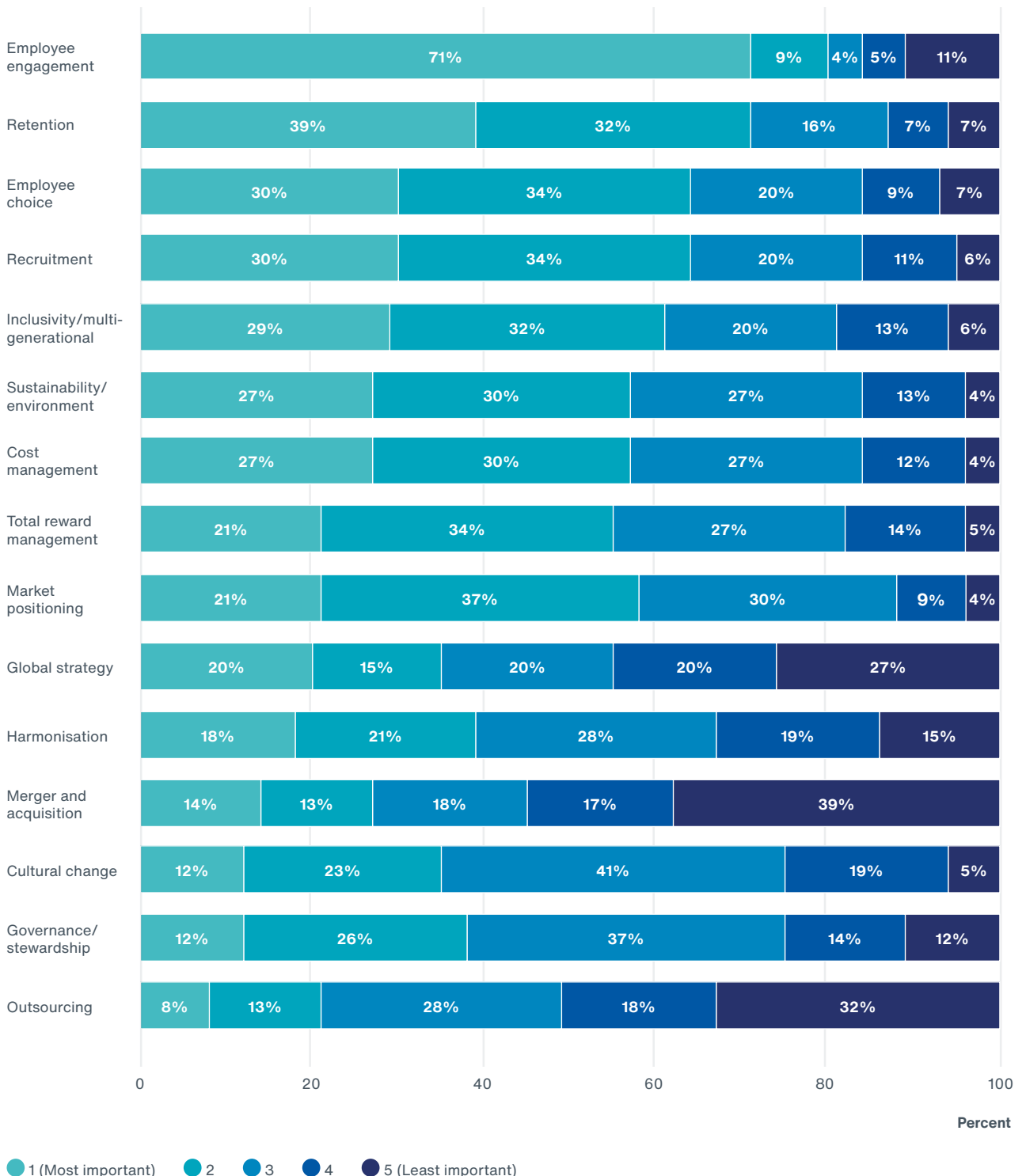


- Yes
- No, but plan to introduce
- No, and no plan to introduce



Q14. In terms of your benefit strategy which of the following objectives are most important to you?

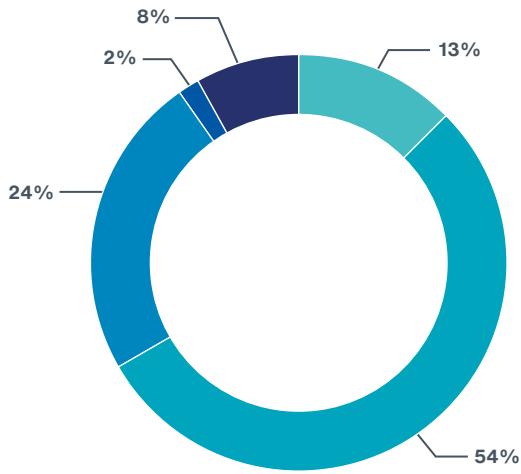
It comes as no surprise that employee engagement is seen by far as the most important objective for companies' benefits strategies, with 80% rating it as either one or two out of five in importance. Employee choice, recruitment and retention are the next most important. Arguably, the most interesting result is that around 60% of respondents rated both inclusivity (49% last year) and sustainability as either one or two, scoring similarly to cost management and market positioning.



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Q15. Thinking about these objectives, how successful has your benefits strategy been in achieving these in the last 12-18 months?

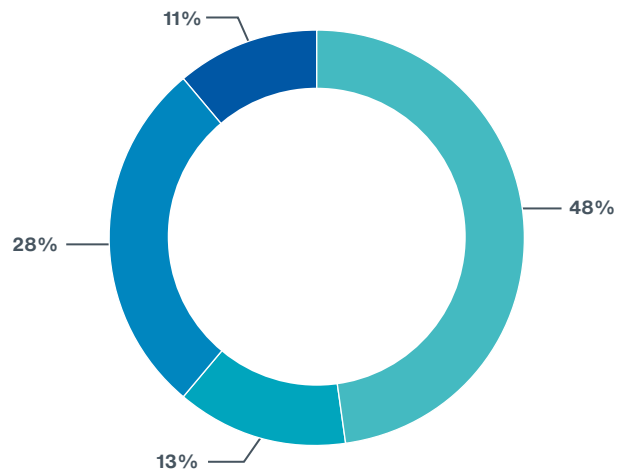
Two-thirds of companies think that they're either very successful or somewhat successful in meeting their objectives, which is very similar to last year. Only 8% don't measure their success – down from 14% last year. Those that currently have a neutral view are largely those who have only recently established their strategy.



- Very successful
- Somewhat successful
- Neutral
- Not very successful
- We don't know as we're not measuring it

Q16. Is your business changing to the point where you are now competing for talent within different market sectors (e.g. competing with technology companies whereas traditionally competed within retail)?

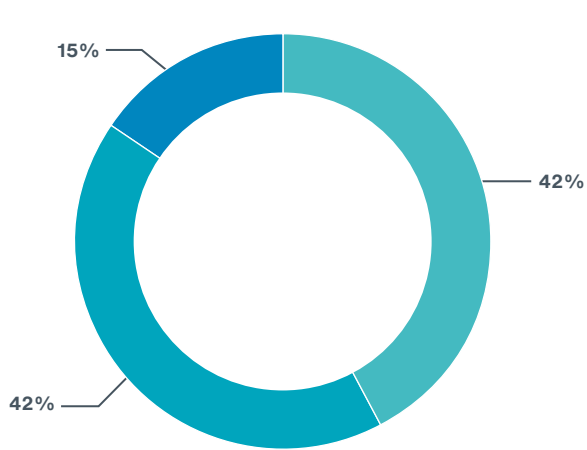
There has been a significant increase in the number of companies saying they are now having to compete for talent within different market sectors, with 61% having already changed or expecting to change. This compares to 50% in 2021 – and only 32% said this had already changed, compared to 48% this year.



- Already changing
- Expect to change within the next five years
- Not changing
- Don't know

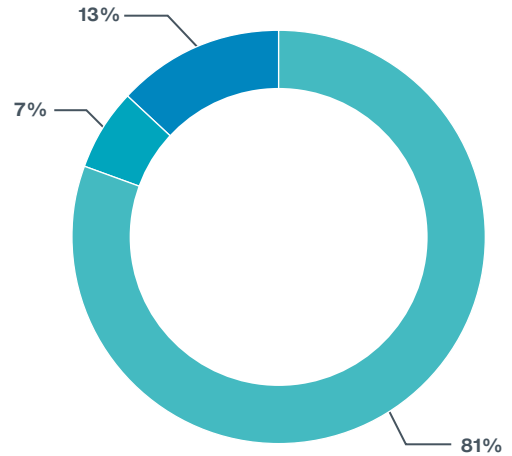
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Q17. Do you believe your benefits are meeting the needs of all generations within your workforce?



- Yes
- No
- Don't know

Q18. Do you believe you will need to change your benefits offering to meet the needs of future generations entering the workforce?

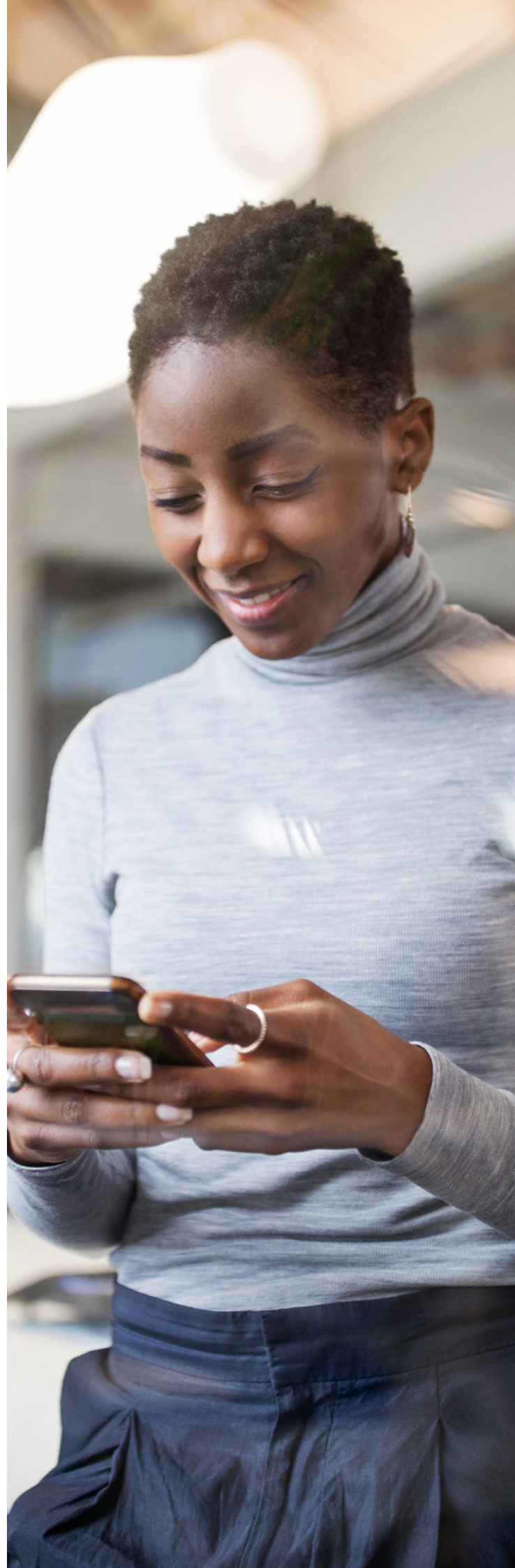
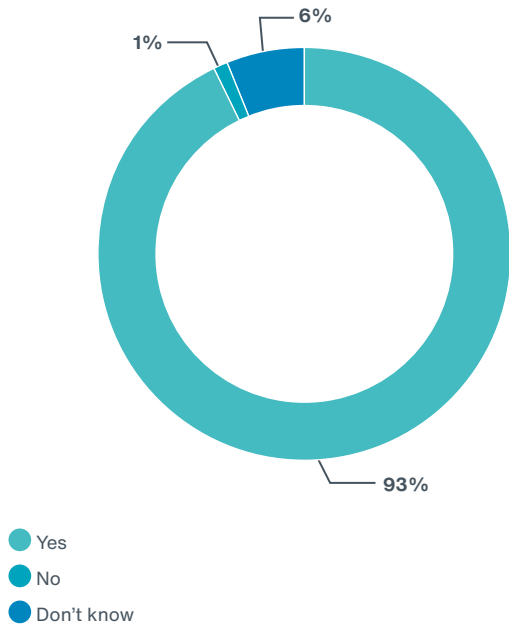


- Yes
- No
- Don't know

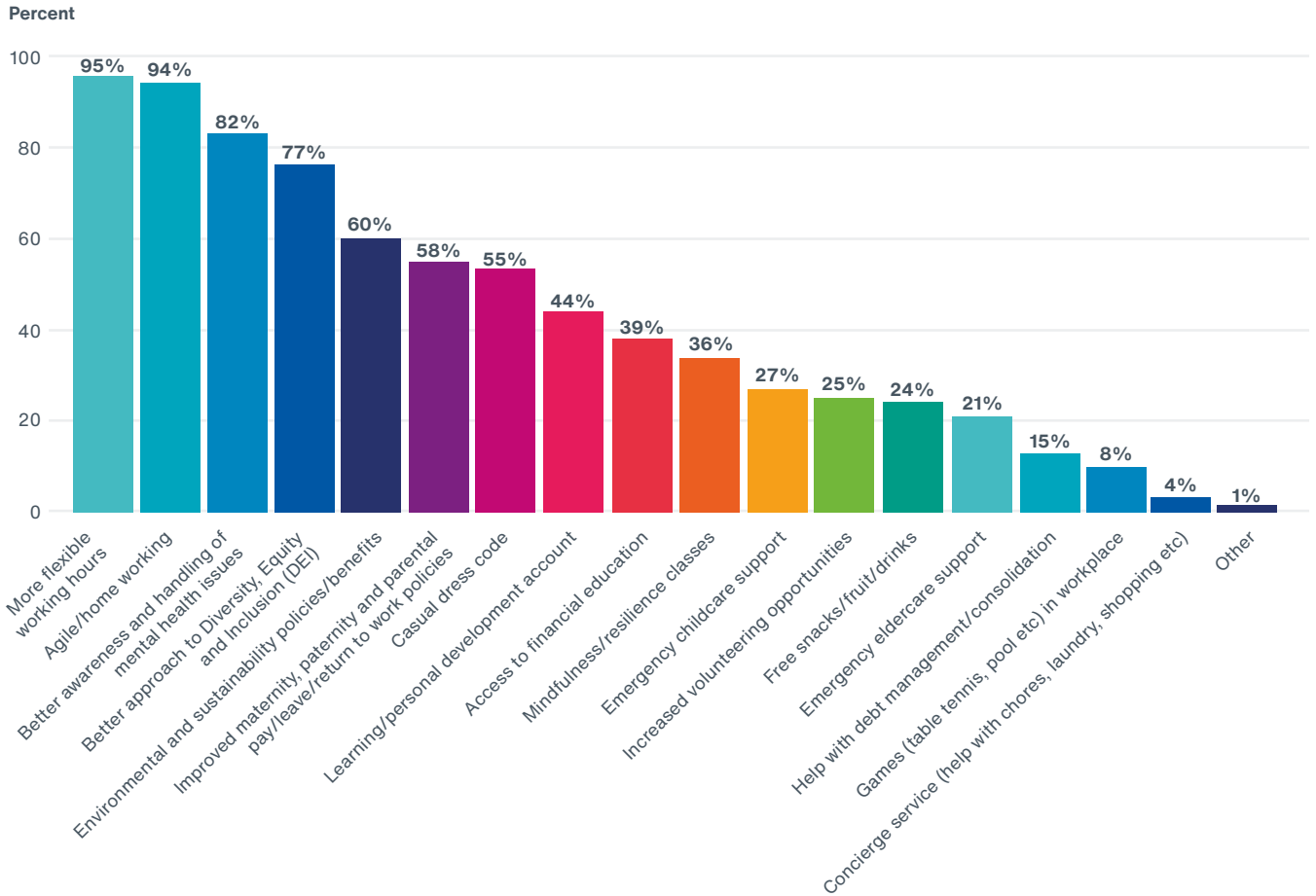
When it comes to meeting the needs of a multi-generational workforce the results are very similar to last year, with 42% saying they are not meeting those needs and 81% recognising that the needs of future generations will mean having to evolve their benefits offering further.

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Q19. Do you think employees' expectations of their work experience are changing?



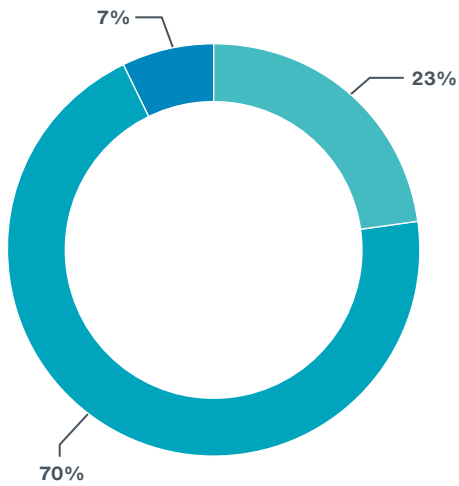
Q20. What do employees now expect?



Following from the previous question, an overwhelming 93% of companies think that employees' expectations of their work experience are changing. Agile/home working and more flexible working hours are again the top two expectations. We then see some interesting shifts compared to previous years with better handling of mental health increasing from 38% to 82%, DEI increasing to 77% from 70% last year, and sustainability increasing to 60% from 51% last year - all reflecting strong more general trends. There was also a significant increase in the expectation of casual dress, up to 55% from 41% last year.

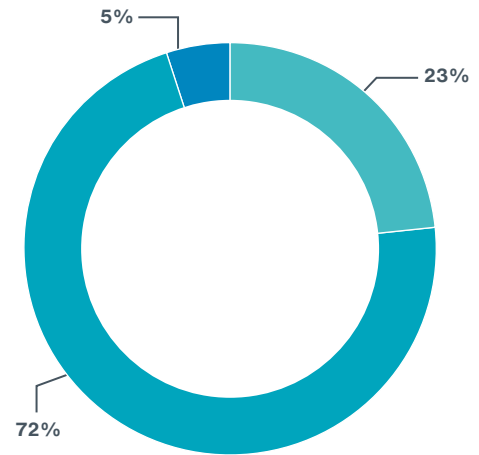
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Q21. Are you considering introducing more benefits that support Environmental, Social, Governance (ESG) issues?



- Yes, and already implemented
- Yes, but nothing implemented yet
- No, not important to us

Q22. Are you considering introducing more benefits that support Diversity, Equity and Inclusion (DEI)?

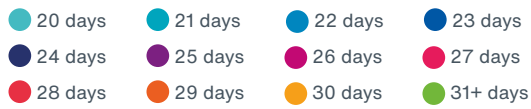
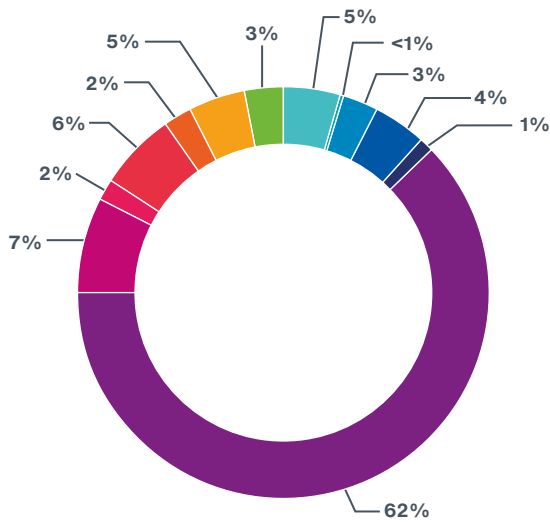


- Yes, and already implemented
- Yes, but nothing implemented yet
- No, not important to us

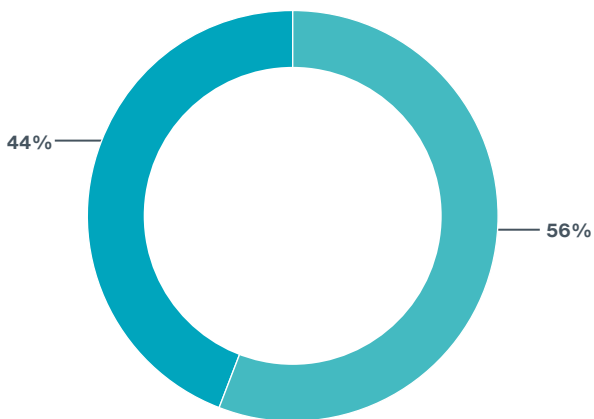
Reflecting the increasing importance of ESG, 70% of companies are planning to introduce more benefits to support this area – and almost a quarter have already done so. An almost identical result was found with benefits to support DEI. We expect to see a rapid development in both of these areas.

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Q23. How many days of annual leave (not including bank holidays and any service-related days) do you provide for the majority of employees?

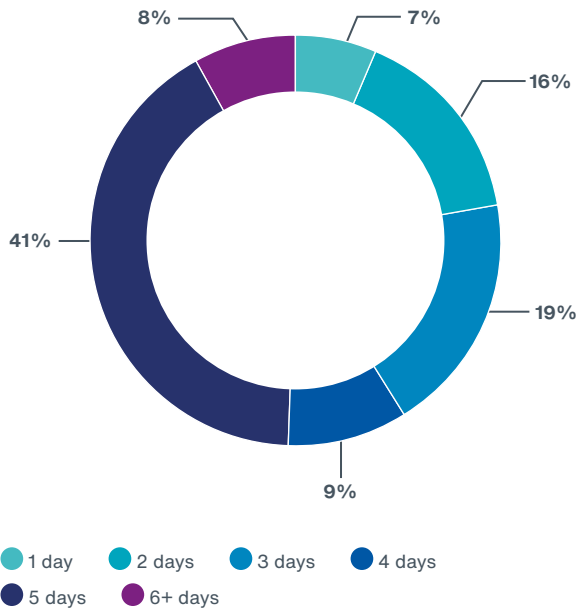


Q24. Does the firm offer increasing holiday entitlements related to service?

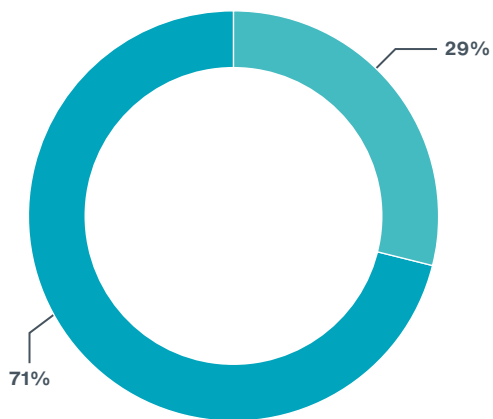


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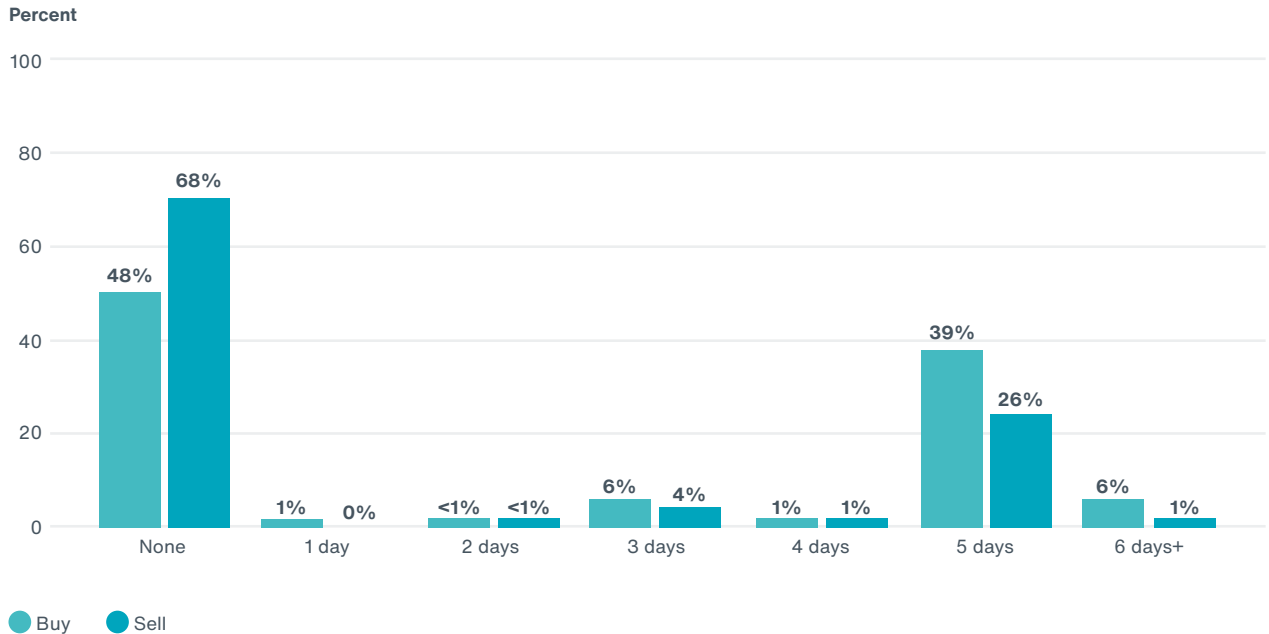
Q25. What is the maximum number of additional service-related days you provide?



Q26. Do you provide higher levels of annual leave days based on seniority?



Q27. How many days of holiday does the firm typically allow employees to buy/sell?



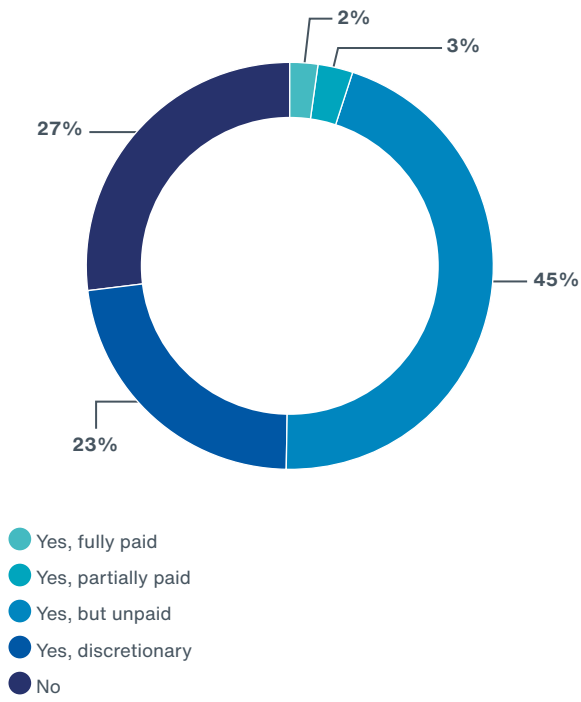
Unsurprisingly, the level of annual leave entitlement remains unchanged with just over 60% of employers providing a standard level of 25 days, although this year's survey shows a slightly higher proportion offering increasing entitlement based on service – up to 56% from 51% last year. The number providing more leave for senior employees remains unchanged at 29%.

Just over half of companies allow employees to “buy” additional days of leave, most commonly up to five days. One third also allow employees to reduce their annual leave, again typically by up to five days.

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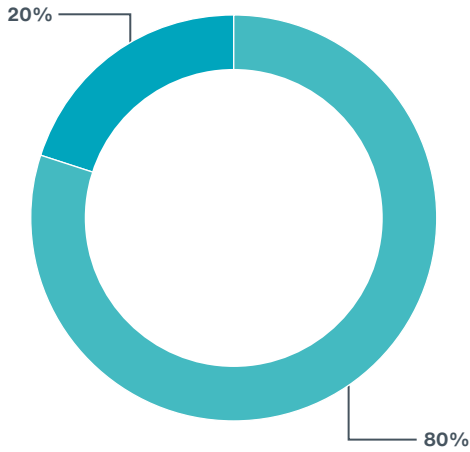
Q28. Does the firm permit sabbaticals?

The provision of sabbaticals is unchanged from previous years with 73% making them available, the majority being unpaid.



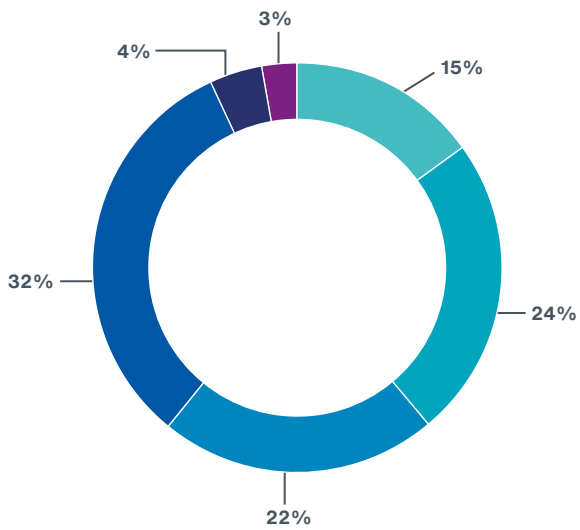
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Q29. Do you offer enhanced maternity pay i.e. above statutory maternity pay (SMP)?



- Yes
- No

Q30. For how long does your maternity scheme pay between 90% and 100% of pay?

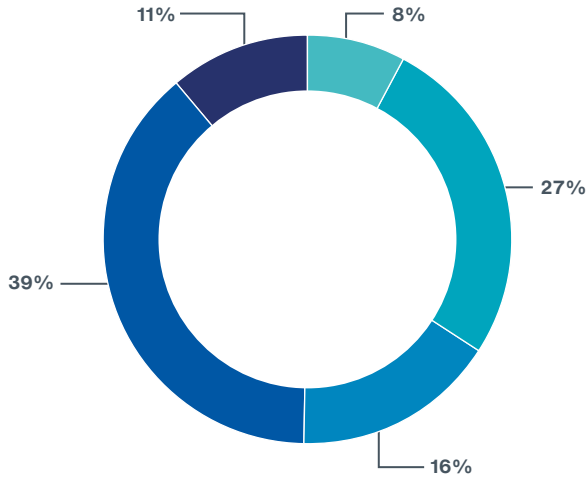


- Up to 6 weeks
- Up to 12 weeks
- Up to 19 weeks
- Up to 26 weeks
- Up to 39 weeks
- Up to 52 weeks



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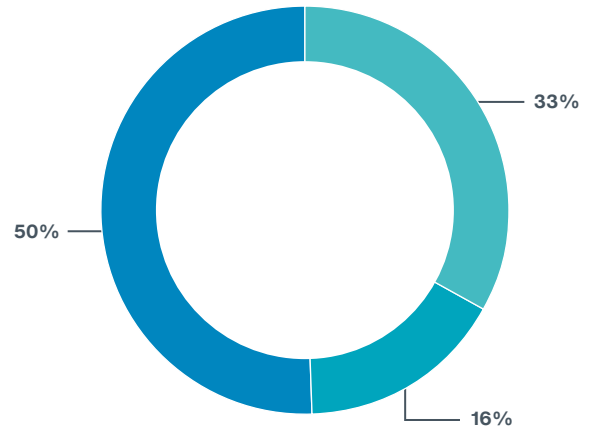
Q31. At what point does your maternity pay fall to the statutory minimum?



- Between weeks 7 and 12
- Between weeks 13 and 19
- Between weeks 20 and 26
- Between weeks 27 and 39
- We enhance maternity pay above SMP for the full 39 weeks

The proportion of companies enhancing maternity pay remains unchanged, but the level of pay has increased. Almost one third pay between 90% and 100% of pay for up to 26 weeks compared to 23% last year. Far fewer only enhance pay up to week 12, down to 8% from 23% in 2021.

Q32. Do you allow a father/partner to also receive paternity leave and pay on the same basis as maternity pay?

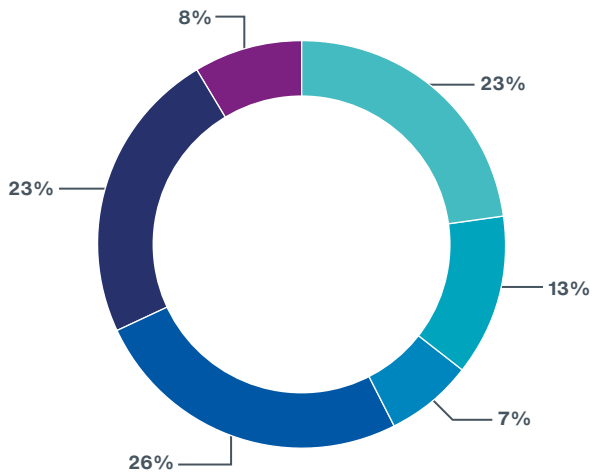


- Yes
- No, but we are considering it/will be introducing it shortly
- No

Similar to last year's survey, half of companies either already provide paternity pay at the same level as maternity pay or will be introducing it shortly.

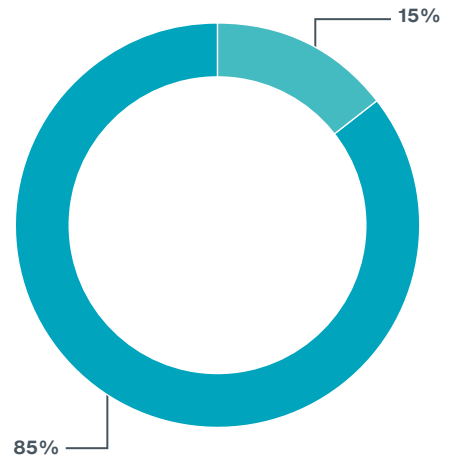
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Q33. What is the minimum period of service to qualify for enhanced maternity pay?



- On joining
- Completing probationary period
- Three months
- Six months
- One year
- Two years

Q34. Does the firm make return to work payments?

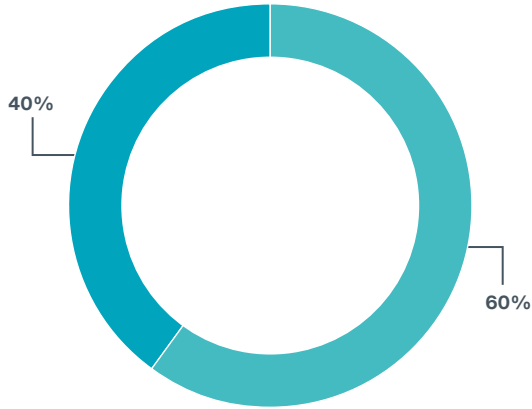


- Yes
- No

There has been a slight relaxing of eligibility rules for receipt of enhanced maternity pay, with a reduction in service requirements and a small increase in the number of firms offering return to work payments.

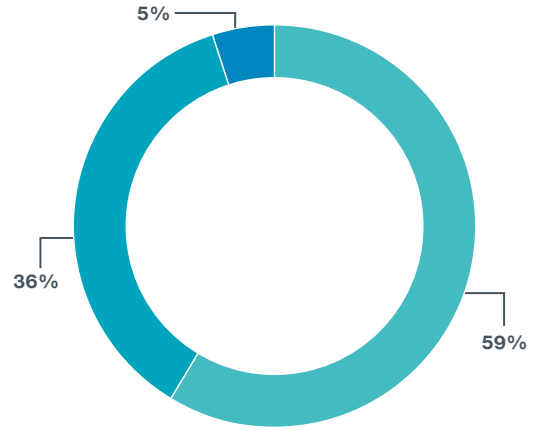
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Q35. Have you had requests for shared parental leave?



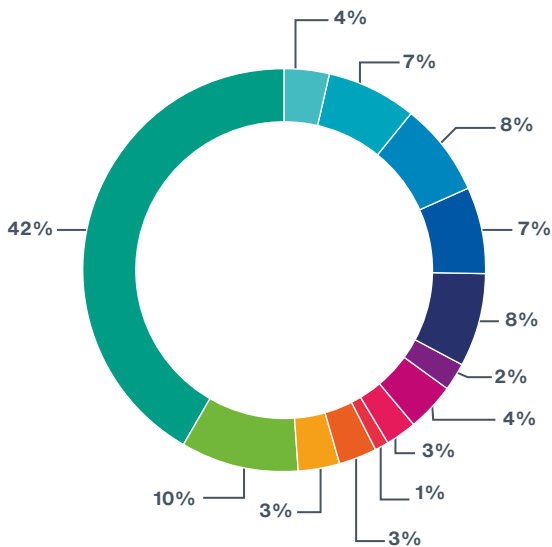
- Yes
- No

Q36. What is your policy for shared parental pay?



- Apply statutory shared parental pay
- Match your enhanced maternity provision
- Enhanced but at a lower rate than your enhanced maternity pay provision

Q37. What percentage of staff utilise flexible working arrangements?

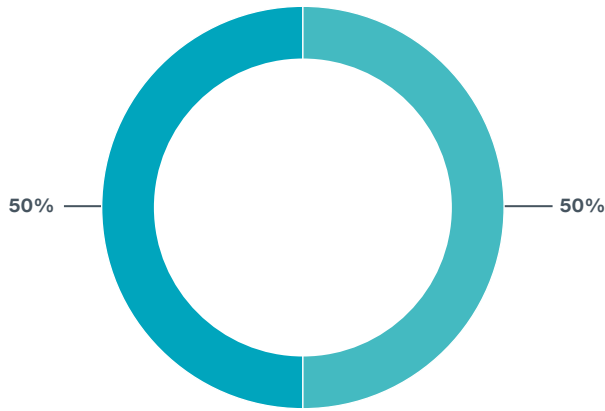


- 0%
- 5%
- 10%
- 20%
- 30%
- 40%
- 50%
- 60%
- 70%
- 80%
- 90%
- 100%
- Don't know

2

Q38. Do you have an agile working policy?

With agile working being such a hot topic, it is not surprising that half of companies now have an agile working policy in place, up from 43% last year.



- Yes
- No



Benefit Strategy and Design

Aon's View

In our last few surveys, we saw a clear trend with employers recognising that employees are becoming more selective over what sort of organisation they want to work for and what they expect in return. Although there may be faults with certain aspects of the gig economy, many people enjoy the flexibility that it offers. This has seeped into the traditional workforce with employees now asking for more flexible working, both in terms of where and when they work.

The pandemic and global social change appear to have accelerated this new era of workplace evolution. The Millennial and Gen Z generations have stronger views on the brands they choose to interact with, whether that's as a consumer or an employee. Over the past two years of the pandemic, employers have been reminded about the importance of looking after their number one asset, their people. Initially this was a reactive response to safeguard their employees' wellbeing, but quickly evolved into a realisation that a healthy and resilient workforce is more engaged and more productive. This has made a powerful and mutually beneficial combination. And as we have all become rapidly more aware of our need to respect each other, embrace diversity and look after our planet, employers are responding by taking a hard look at their external and internal brand because consumers, investors and employees are starting to vote with their feet. As if that wasn't enough, we're now seeing critical labour shortages with the pressure on recruitment and retention that this brings.

The workplace is now a seller's market – employees can, and are, being more choosy about who they work for. The younger generations in particular, put more importance on what an employer stands for – their "purpose" and brand. Organisations are under pressure to demonstrate to a range of stakeholders how they make a positive impact, other than making money – basically their ESG rating. And it's no longer a "nice to have", it's a board level issue. The results of this year's survey show the rapid rise in the importance of wellbeing, inclusivity

and sustainability as objectives for their benefits strategy. There's been an even stronger rise in the importance of these issues to employees.

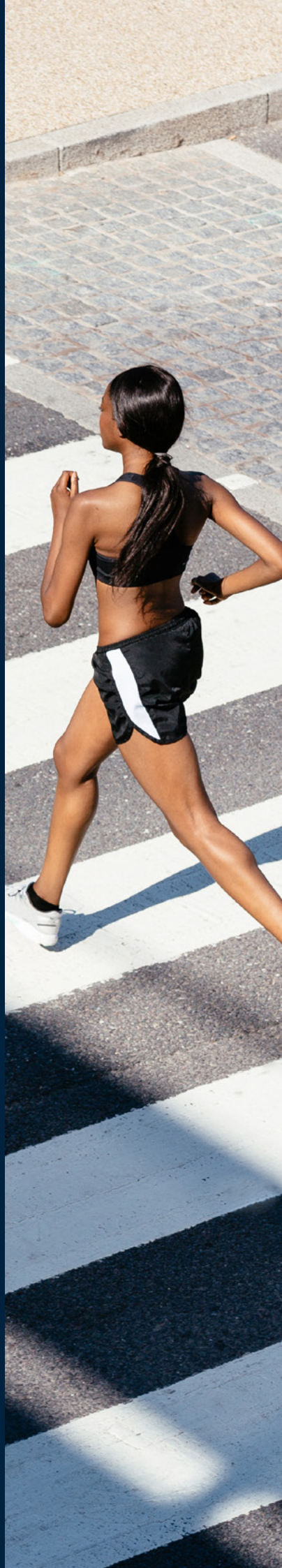
So, we have alignment in what employees expect and how organisations are responding. A huge 95% of respondent's report that they either have or are planning to introduce more benefits that support DEI and the environment/sustainability. Half already have an agile working policy in place and most expect their people to be working remotely at least some of the time.

This doesn't come without its challenges of course. Communication remains the biggest difficulty for employers and only 13% of firms say they are being "very successful" in meeting their objectives. They'll probably also have to think outside the box when it comes to offering a sufficiently diverse range of benefits to meet employees' needs. Although most large employers already have flexible benefits schemes in place, it's unrealistic to have a choice of 50+ benefits. One solution is to borrow an idea that's been around in Asia for quite some time – the flexible spending account. This allows employees to claim back certain expenses within a set of rules determined by the employer. Aon's own early adopters typically allow the fund (anything from £200 to £1,000 a year) to be spent on a use-it-or-lose-it basis, on either the standard flex benefits or to reclaim costs for things such as home gym equipment, sports club membership, alternative therapies and personal development. The big advantage of this approach is that it allows a very wide range of options for employees without having to source dozens of providers. The administration can also be largely automated. It also means employers can structure the rules to reflect their objectives around DEI, wellbeing, sustainability etc.

In summary, these are challenging but exciting times. To recruit, retain and engage the right talent, employers are redefining their EVPs and benefits strategies to align with their broader purpose, their values and the radically different needs of today's – and tomorrow's – employees.

3

Health and Wellbeing



Health and Wellbeing



Mark Witte
Principal – Health and Risk



Charles Alberts
Head of Wellbeing Solutions

Key Findings and Insight

Twelve months ago when writing our introduction to the health and wellbeing section, we reflected on the high numbers of employers calling out their increased focus on employee health and declarations of intent for 2021. What has become clear from this year's survey is that although employers are now, more than ever, acknowledging the role they have to play in supporting employee wellbeing in its broadest sense, the realities of delivering upon ambitions remain a challenge for most.

The standout statistic is the sharp increase in employers who acknowledge that they have a responsibility for the health and wellbeing of their employees (95% of all respondents agree or strongly agree with this statement). But although the pandemic has clearly played a role in heightening awareness of the impact of health on business performance, a number of long-standing barriers remain in place.

For many of the questions raised in this section, responses have changed very little since 2021, despite in some cases, respondents calling out that this was meant to be part of their plans for the past 12 months. We have seen some positive progress in areas relating to inclusivity and diversity in particular. However, the dial has moved very little on some of the key questions that point towards the strategic enablers of a successful wellbeing programme that will create a resilient workforce. Formal strategies remain uncommon, data is being used but with little focus on measuring value, budgets remain scarce and there is still a way to go to secure full buy-in from the C-suite.

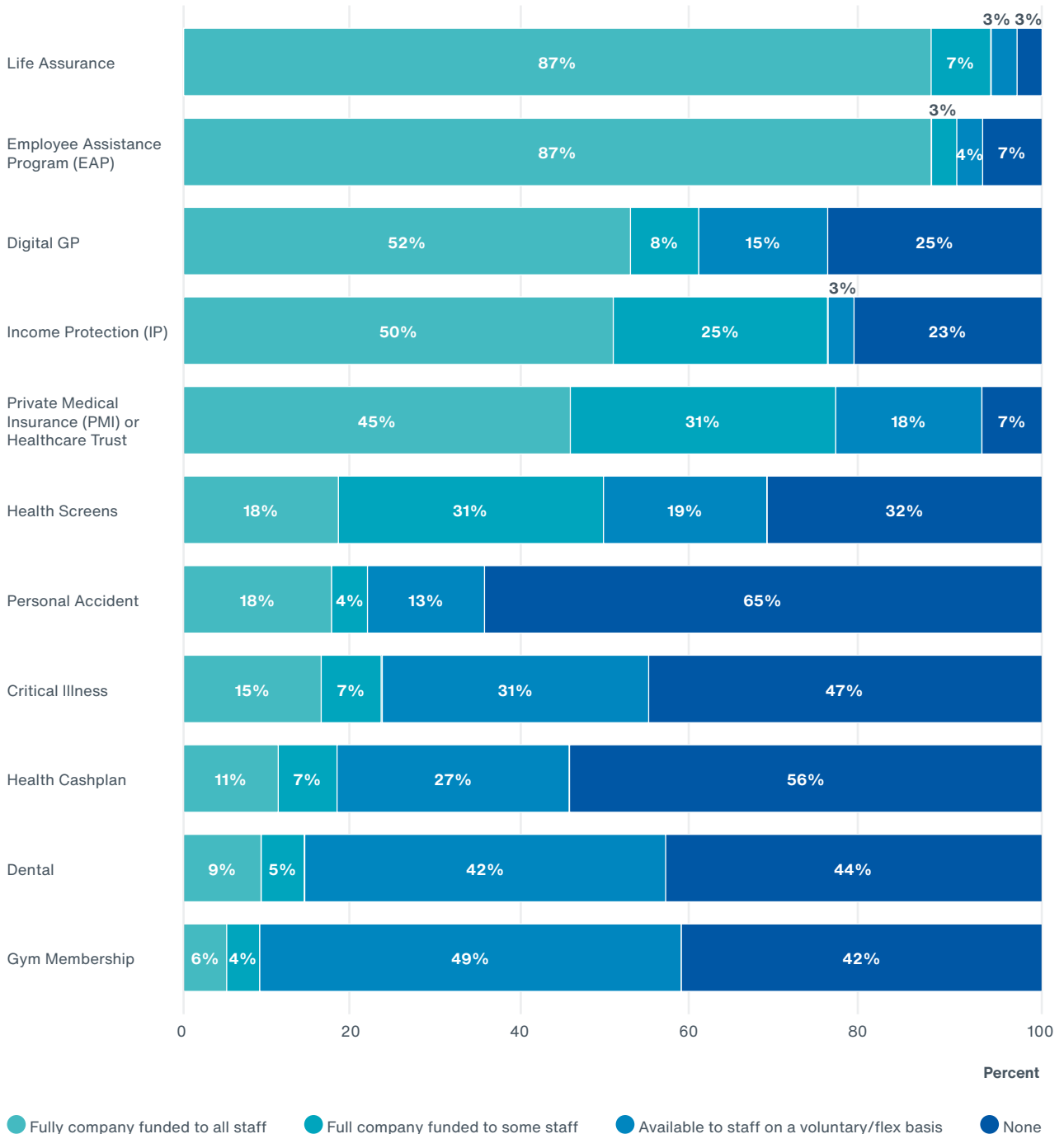
There is a lot of insightful data spread across the next few pages and our final summary (Aon's View) will bring this together and call out what we think this means for you, the employer in the year ahead.



Q39. Which of the following employee benefits are available to all/some of your workforce?

Employer funded digital GP services continue to grow rapidly with over half of employers now having this valuable benefit in place for all staff (up from 40% last year). Employee Assistance Programmes (EAPs) continue as a key benefit with less than 10% of employees not having any access. Both services were among the most common benefits embraced and promoted by employers during the pandemic, with both able to deliver in a fully remote setting.

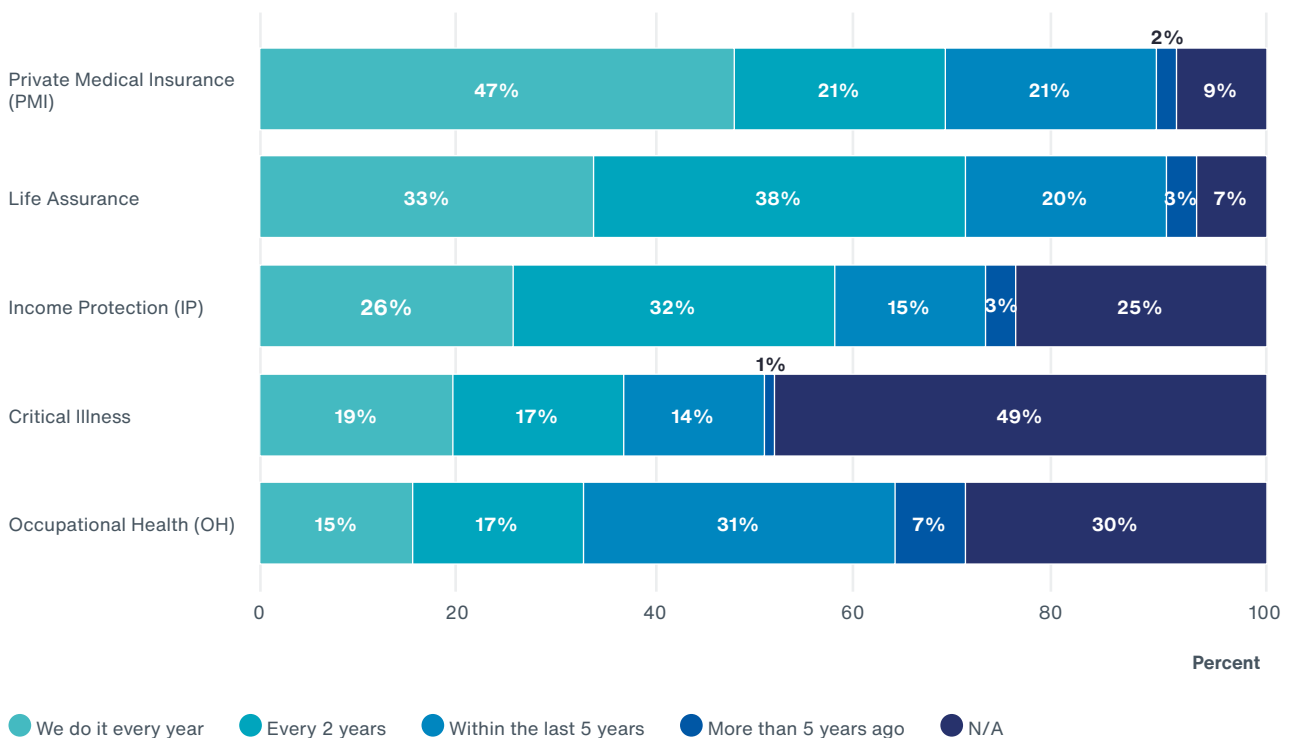
Elsewhere there is very little change in company funded or voluntary health and protection benefits which is reflective of overall market growth. One of the key call outs from this year's survey is the continued evidence that a large percentage of the working population remains mostly dependent on the state for their health and financial wellbeing needs.



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Q40. When did you last review your existing provider against the rest of the market for the following benefits?

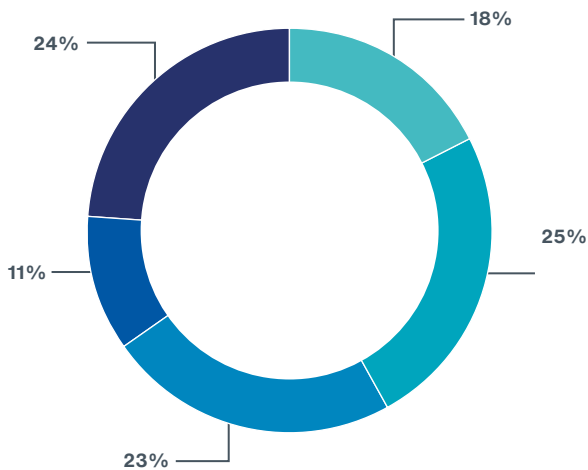
A new question for 2022, and one prompted by a period of uncertainty and volatility across most of our main insurance lines. The majority of employers choose to test the market in line with standard rate guarantee periods, although this practice is more common on the risk insurances as opposed to the medical benefits. Aon's broking data indicates that insurers' proposed renewal terms are increases of between 13% and 23% on average across the main insurance lines of Life Assurance, Income Protection and Private Medical. It is concerning that around one in five employers are not proactively using market leverage to achieve greater value through improved renewal terms.



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Q41. From your Income Protection provider, how much do you utilise the claims management and rehab services on offer?

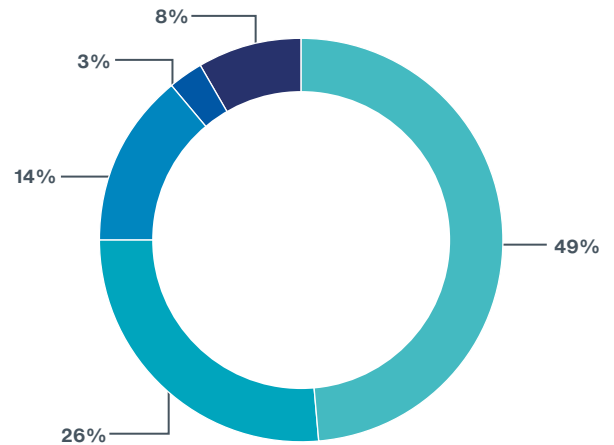
Another new question for 2022 and one focussing on the importance of building effective absence management pathways from a range of solution lines and providers. It is disappointing to see that less than 20% of employers view these services as an integral part of their process with around half using these services but in a limited capacity. The challenge of obtaining full value from these services and integrating effectively with other health suppliers, most notably Occupational Health (OH), is not a new one. But given the new challenges presented to employers in managing employee health in a more fractured, remote working landscape and set against the long-term impact of the pandemic on our health, the importance of robust, effective and targeted health management strategies has never been more evident.



- They are an integral part of our absence management strategy
- We use the services occasionally to compliment other resources (e.g. in-house resources and Occupational Health)
- We use them as a claims assessment service only
- We are not aware of insurers providing such services
- We don't have income protection

Q42. To what extent do you leverage added value services (e.g. EAP's, 2nd opinion services, Digital GP's, educational content, apps etc.) from Healthcare and Risk providers to support your Health and Wellbeing strategy?

There is little movement in the responses when compared to last year although the number of employers saying they are a key part of their strategy has increased slightly from 45% to 49%. For this number to increase further we believe there is an opportunity for even greater innovation from providers, offering value added services that employers and their employees equally value. With overall market growth limited across the risk and health insurance lines, truly valued additional services may not just help increase utilisation of these services by employers, but also support growth for the industry as a whole.

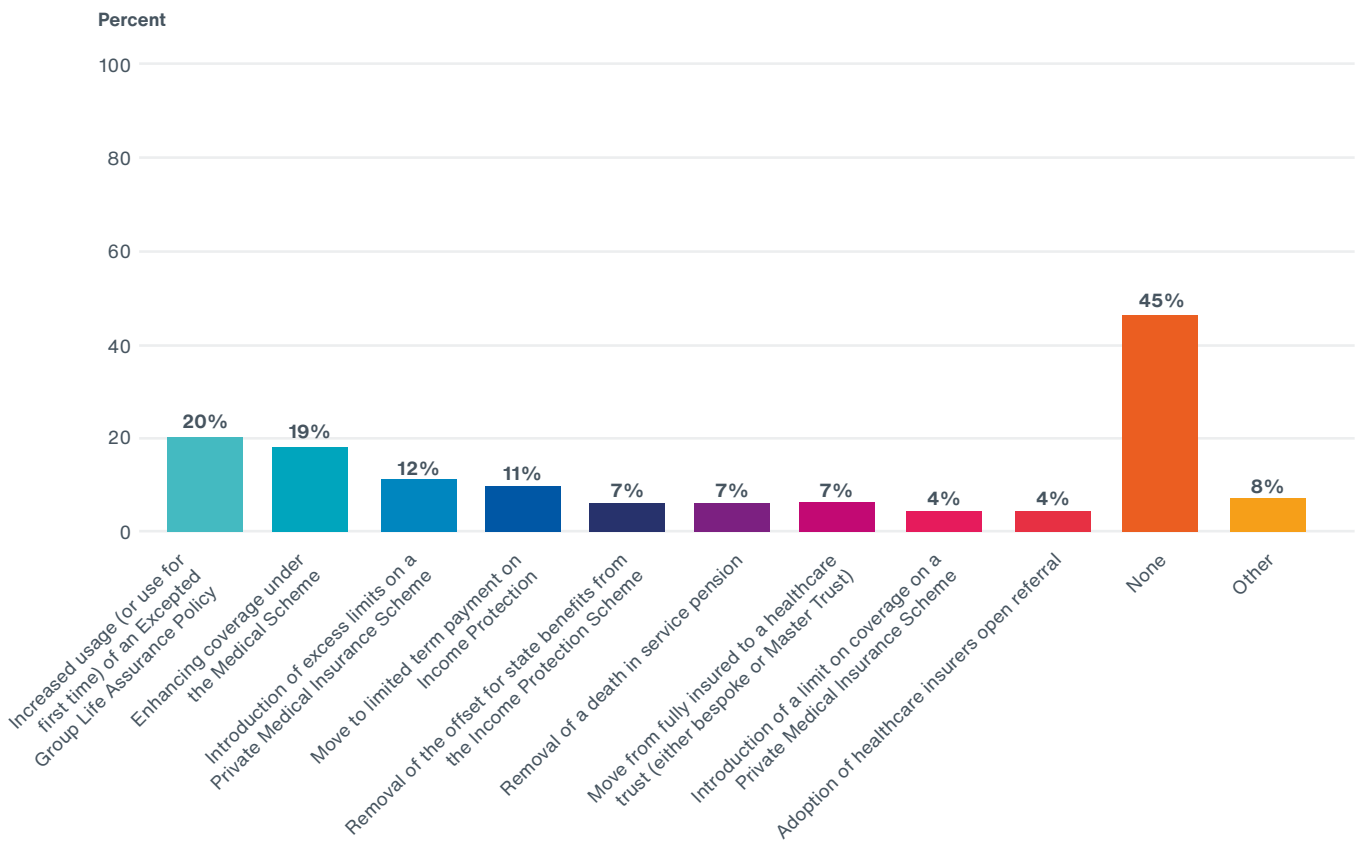


- They are very important to us and are a key part of our strategy
- We use them but we would like to understand the full extent of what is available
- We use them occasionally, but they are not an important part of our strategy
- We use them occasionally, but they are not an important part of our strategy
- I did not know insurers offered such services
- We do not use them

3

Q43. What benefit design changes have you actioned over the past five years on your risk and healthcare benefits?

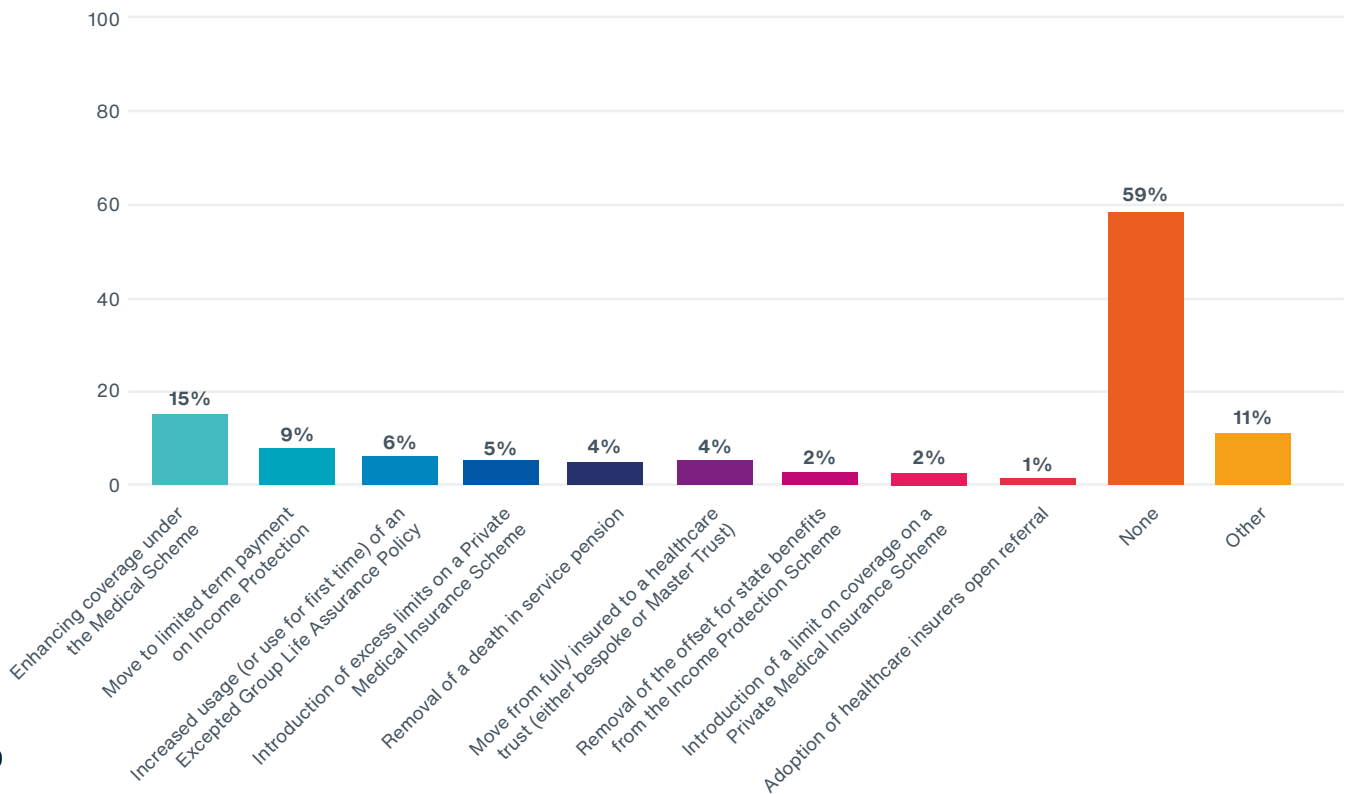
Once again, we see a drop in responses to almost all of these most common benefit redesign activities. As highlighted in last year's report, this can be seen as a sign that traditional measures to modernise or contain costs have either already been actioned or there is a good reason as to why changes have not been made. Equally, some employers may have used this as a period of consolidation, to plan for future changes and enhance support where possible, as can be seen with Private Medical coverage being enhanced by 19% of respondents.



Q44. What benefit design changes are you considering in the next 12-18 months?

As with the previous question, employers are suggesting that this kind of redesign activity is becoming less likely. However, the one area worth highlighting is the 15% of respondents saying that rather than introducing more limits to their private medical plan, they are looking to increase coverage. Many of the employers ticking the “Other” box have also called out specific activities to enhance cover or providing additional benefits, especially focused on ESG with new green benefits being launched and enhancing existing cover to be more inclusive and equitable. From our consultancy teams we know that issues such as women’s health in particular have been very topical throughout 2021. Our survey suggests we can expect to see this accelerate further in 2022.

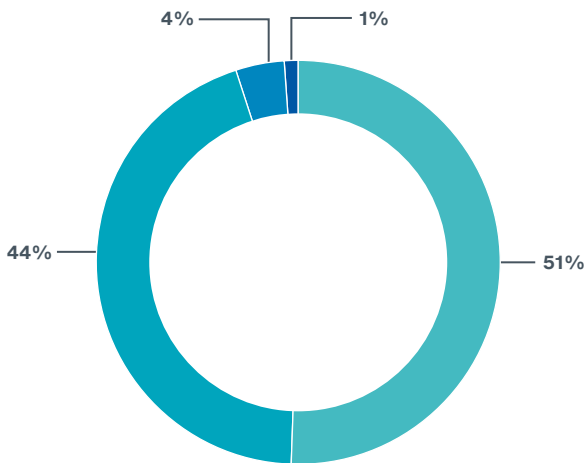
Percent



3

Q45. To what extent do you agree that the employer has a responsibility for influencing employee Health and Wellbeing?

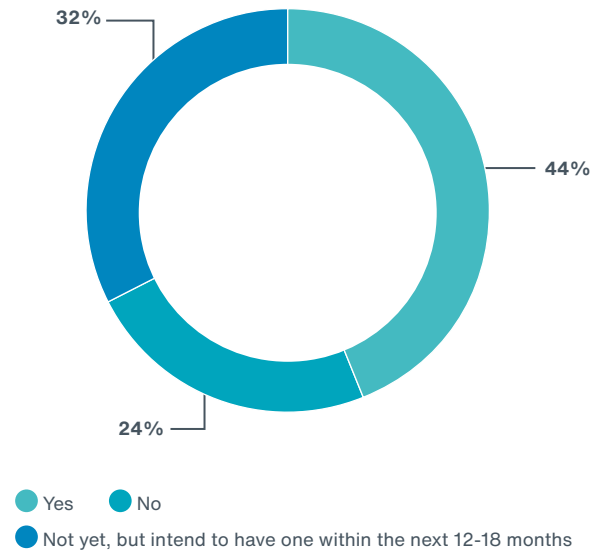
One of the headlines from this year’s survey is a significant shift in the number of employers who strongly agree that they have a responsibility for the health and wellbeing of their employees. This has risen from 20% last year to just over half of all respondents. And the numbers who have no view or disagree has fallen to only 5% of employers. This represents the most notable shift from previous years’ results. It is easy to draw connections to the ongoing impact of the pandemic and the heightened awareness of ill-health but the word “responsibility” is important to note here. Ninety-five per cent of employers in our survey agree, and most strongly agree, that they have a responsibility to their employees. It is interesting to see how this acknowledgement sits alongside some of the other responses.



- Strongly agree
- Agree
- Neither agree, nor disagree
- Disagree

Q46. Do you have a formalised Health and Wellbeing strategy?

Given the acceptance that the employer has a role to play in supporting employee wellbeing, it is disappointing that this year’s results show no change in terms of the number of employers with a formal strategy already in place or planning to do so in the near future. Whilst we see greater activity around employee wellbeing, a strategic approach is critical to creating focus and achieving demonstrable results. This anomaly demands us to look elsewhere in this report for evidence of why this might be.

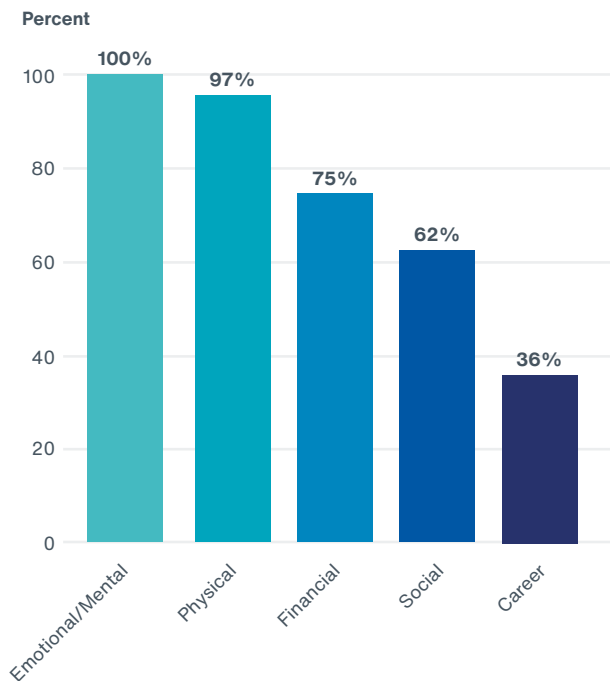


- Yes
- No
- Not yet, but intend to have one within the next 12-18 months

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Q47. Which of these pillars of wellbeing does your strategy currently offer?

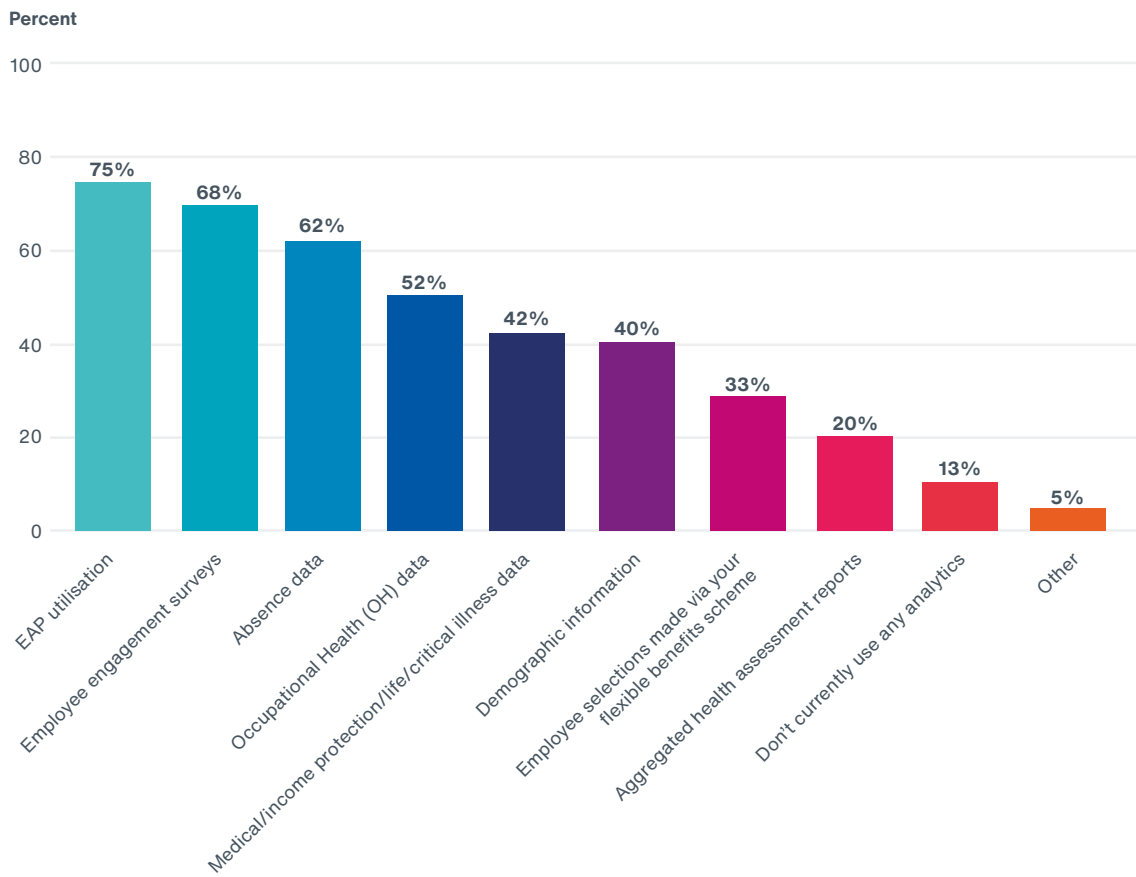
Of those clients with a formal wellbeing strategy in place, almost all have dedicated support for emotional and physical wellbeing and around three quarters now also providing structured financial wellbeing support. It is encouraging to see the rise in employers with a focus on social wellbeing, as the pandemic has shone a light on the importance of positive human connections and the growing societal issue of loneliness. The importance of a wellbeing programme being fully rounded and covering all dimensions of personal and work wellbeing is well documented and was called out in our **2020 Report: The Rising Resilient**. Whilst the increasing number of employers with strategies covering multiple dimensions is encouraging, this still needs to be set into context with the previous response that calls out that less than half of employers have a strategy in place at all.



3

Q48. Which of the following company-specific data analytics are being used to inform and drive your Corporate Health and Wellbeing strategy?

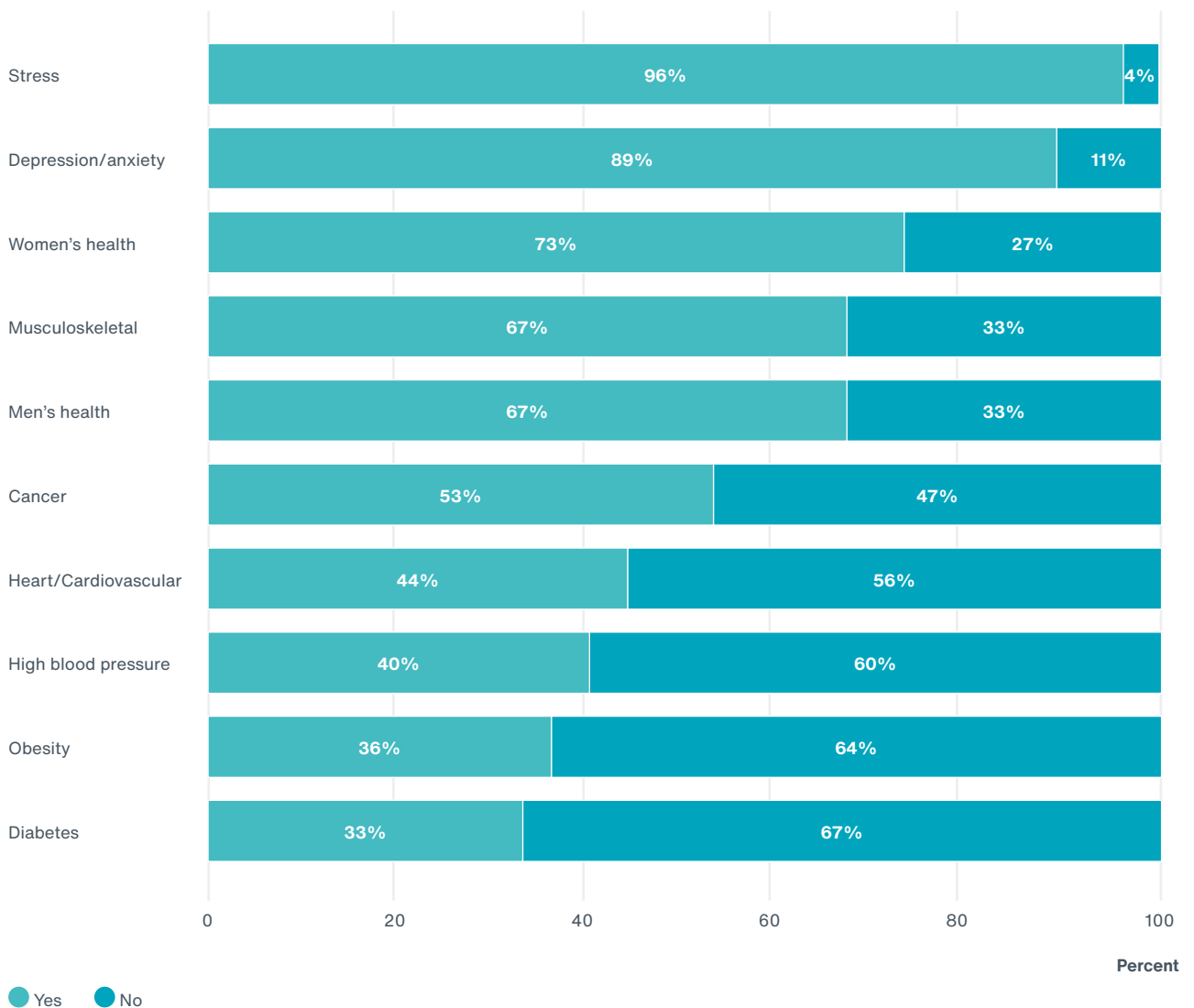
Another significant shift from 2021 has seen double digit percentage increases for all these potential data sets. Only 13% of employers have said they do not use health data analytics to inform their wellbeing strategy. This is a clear signal that most employers want to be better informed and have access to more detailed insights to help them make better decisions.



Q49. Which of these health conditions are you concerned about in your organisation?

Another new question for 2022 and one that acknowledges the impact and challenges of managing specific health issues. From this question we see that stress is the top concern for employers – which perhaps isn't surprising given the increased pressures people have faced at home and work over the past two years, combined with having to adapt to new ways of working for many. But stress isn't exclusively linked to the pandemic. We saw reported cases of work-related stress, depression and anxiety sharply increase in 2019 and it is now the top cause of work-related ill health. The case for taking proactive action is clear, and it's positive to see this top of employers' agendas too.

At the other end of the scale, less than 50% of employers are concerned over heart related conditions, high blood pressure, obesity and diabetes. This is somewhat concerning as heart disease remains the number one cause of death for males in the UK¹, and poor lifestyles giving rise to these health issues are risk factors for a multitude of other conditions. In our view, physical wellbeing should remain a focus for all wellbeing strategies, especially given the significant physical, emotional and indeed financial impact these conditions can have for the individual and those around them both at home and in the workplace.

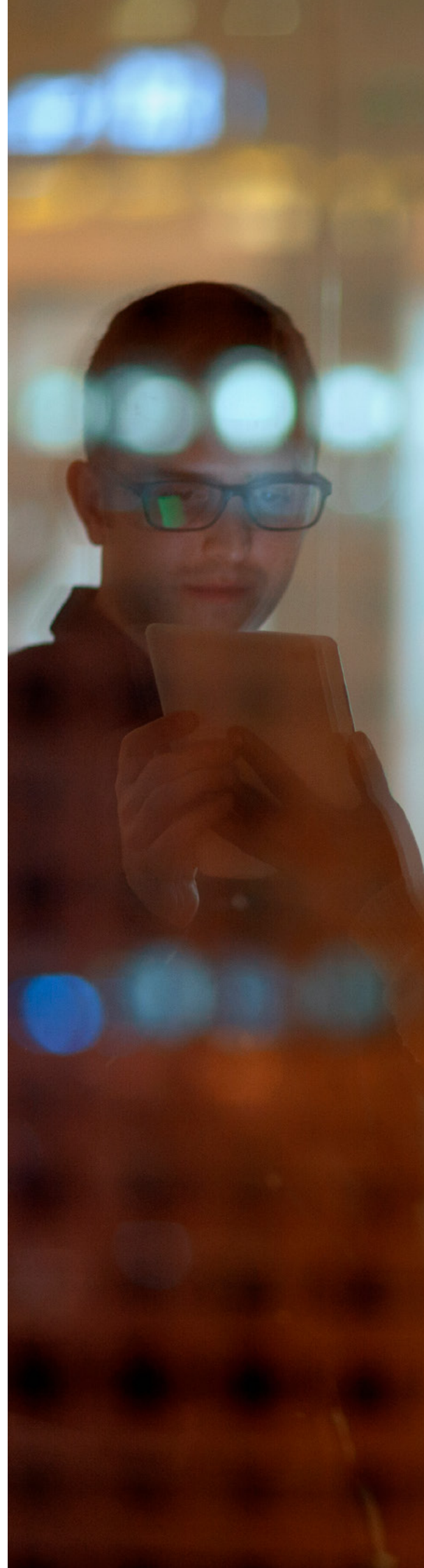
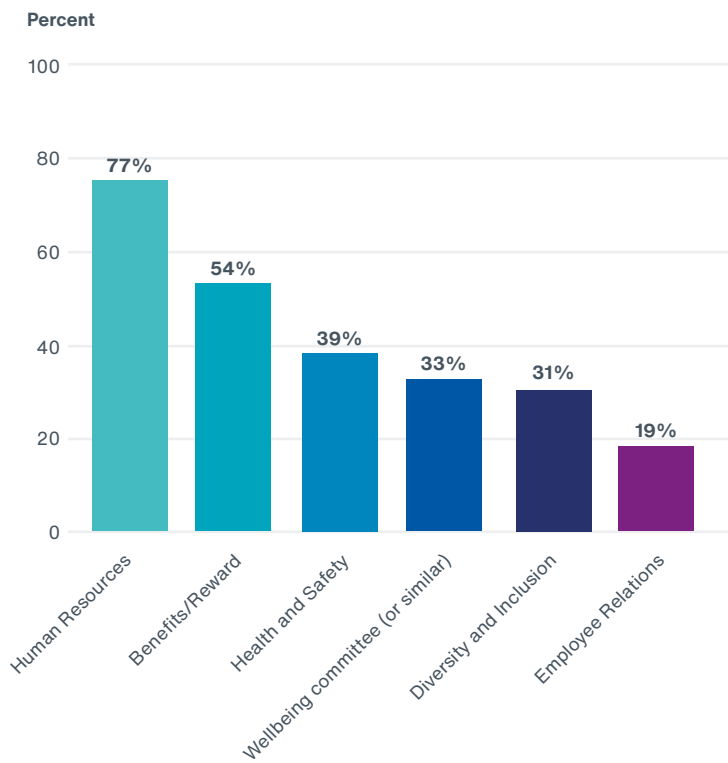


1. (Source: ONS)

3

Q50. How do you manage Health and Wellbeing in your organisation?

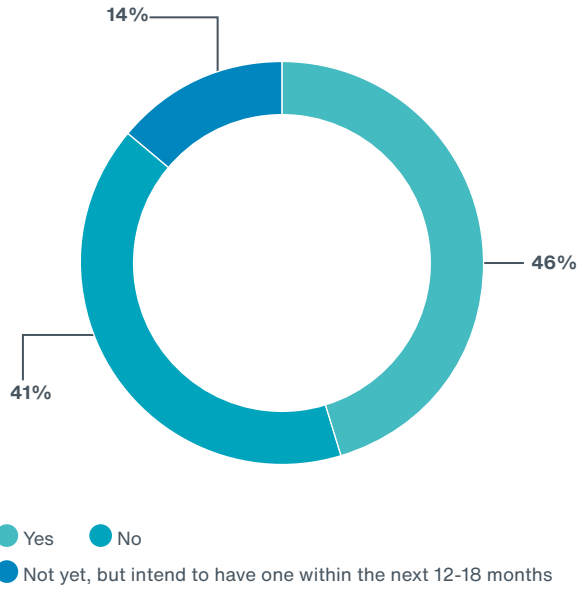
There are similar responses to last year here, which reinforces that for many organisations, wellbeing remains firmly in human resources' remit in the majority of organisations. Of course, there are a broad range of stakeholders with an interest in and influence over employee wellbeing and increasingly we are seeing employers work cross-function to achieve optimal outcomes. This year we specifically asked whether there was representation from the diversity and inclusion team, and this is already the case with nearly a third of employers. Given the importance being placed on DEI and other purpose led issues evidenced elsewhere in this survey, we can hope to see this figure increase next year.



3

Q51. Do you have an executive sponsor for Health and Wellbeing in your business?

There has been a moderate increase in the number of employers with an executive sponsor for health and wellbeing, up to 46% from 42% in 2021. Last year we hoped to see this number increase in 2022 given the massive impact the pandemic has had on all aspects of many business operations. In this respect a four percentage points shift is far below expectations and calls into question what else can be done to elevate health and wellbeing as a strategic priority for the C-suite.

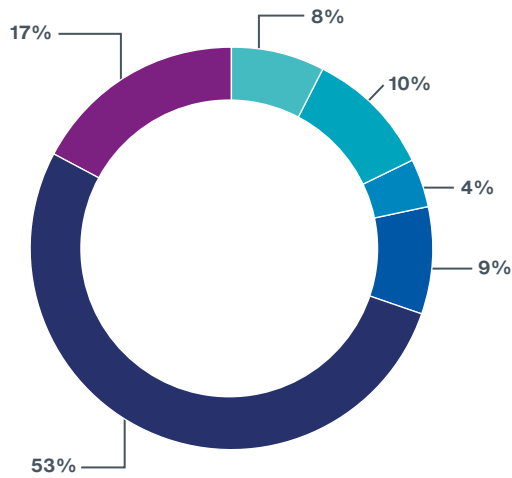


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Q52. Do you have a specific budget for your Health and Wellbeing programme?

70% of employers not currently having a dedicated budget for wellbeing is at odds with our earlier findings, that suggested only 5% of employers felt employee wellbeing was not their responsibility and is a deterioration on previous years.

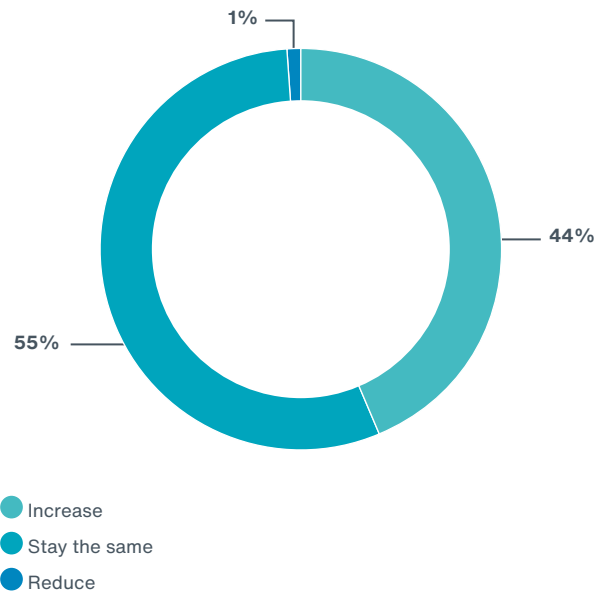
Whilst there could be various reasons for this, such as a tightening of the purse strings through the pandemic, or better use of free-of-charge value added benefits provided by insurers, or greater utilisation of in-house resources - there is an imperative for wellbeing to receive adequate investment if employers hope to see returns in productivity, engagement, attendance and various other areas critical to creating thriving businesses.



- Yes (<£25 per employee per annum)
- Yes (£26-75 per employee per annum)
- Yes (£75-125 per employee per annum)
- Yes (>£126 per employee per annum)
- No
- Not yet, but intend to have one within the next 12-18 months

Q53. How do you expect your Health and Wellbeing budget to change in the next year?

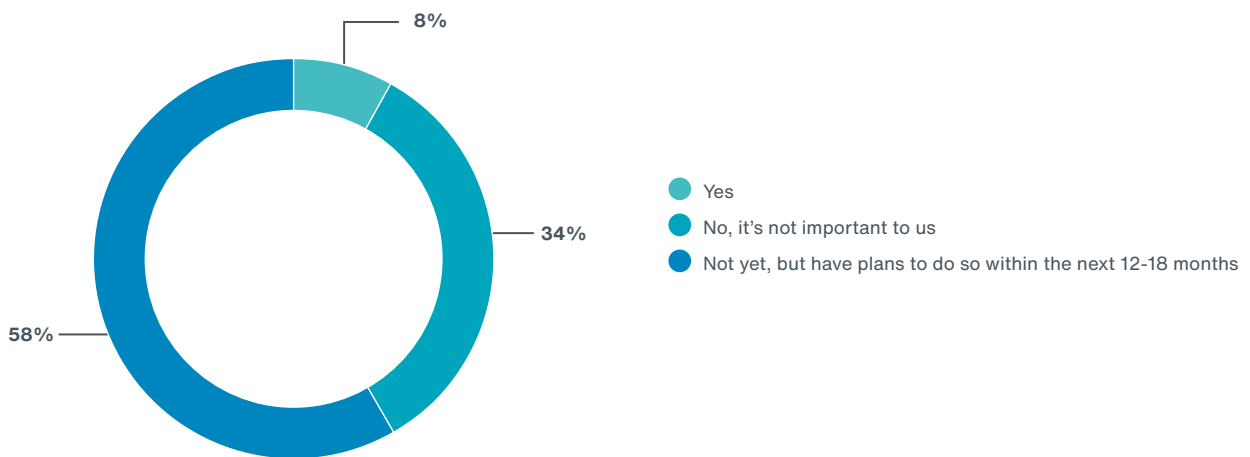
Positively, elsewhere in the survey 44% of employers expressed an intent to increase their wellbeing budget in the next year, with only 1% planning to reduce their spend.



- Increase
- Stay the same
- Reduce

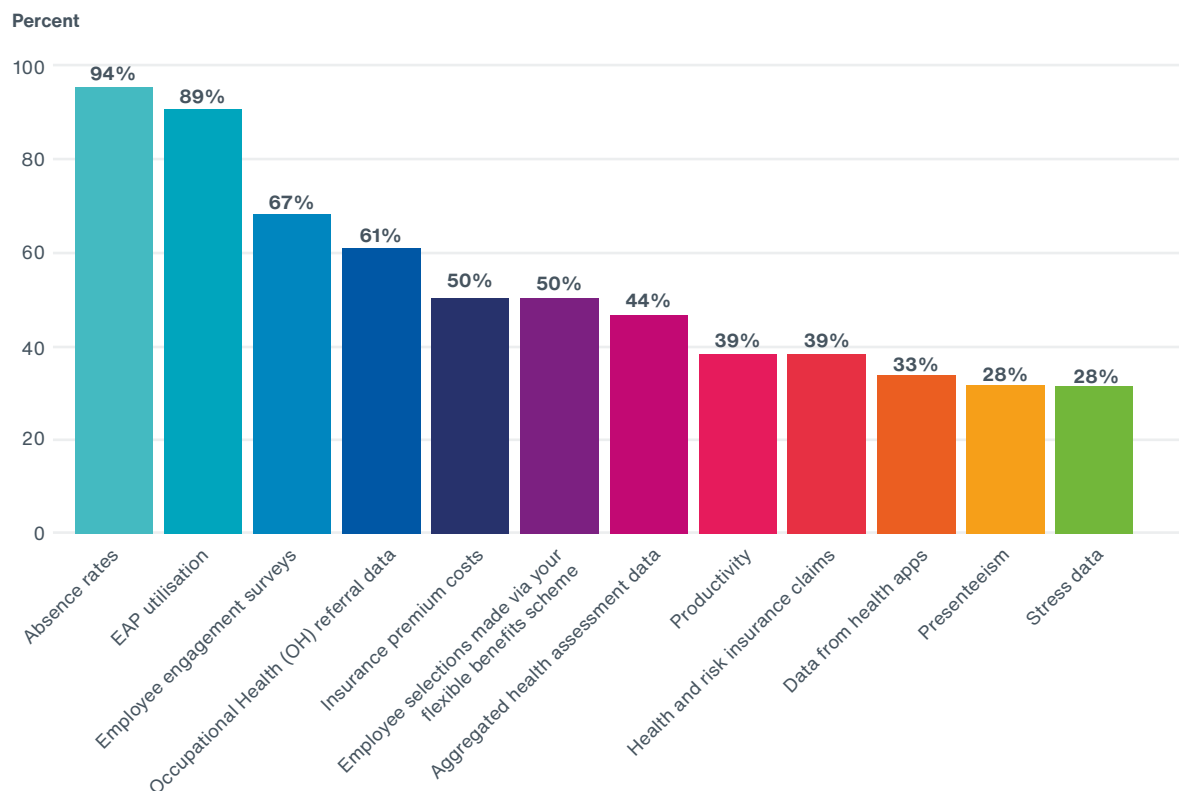
Q54. Do you measure the Return on Investment of your Health and Wellbeing programme?

Similar to previous years, the majority of respondents have not put in place some metrics for measuring value, despite previous surveys indicating that this was part of their future plans. The strain placed on human resource teams over the past 18 months is undoubtedly a factor in not seeing greater progress in this area, as priorities and resource has been focussed elsewhere. However, with ROI potentially supporting other key objectives around decision making, securing budget, targeted condition management and C-suite sponsorship, it is recommended that employers consider ways to elevate this up the agenda.



Q55. What are you looking at?

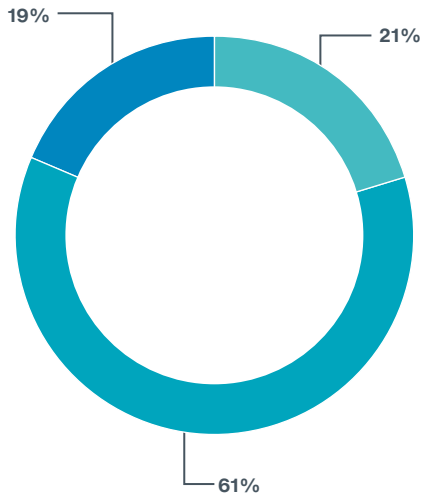
Of the employers who are measuring Return on Investment, sickness absence and EAP data are by far the two most common indicators.



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Q56. Have you conducted a Stress Risk Assessment (using e.g. the HSE’s Management Standards)?

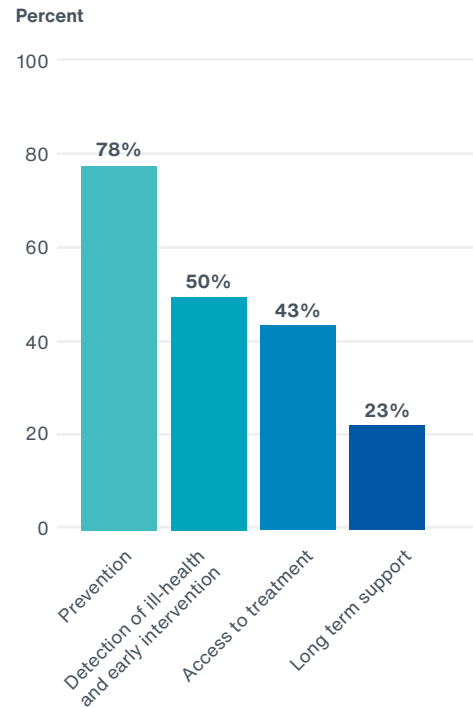
Encouragingly we have seen an increase from 16% to 21% in the number of employers conducting a stress risk assessment. With no change in the number stating they have no intention to do so, this is one area where stated ambitions 12 months ago, have been delivered on. With work-related mental health issues accounting for around 18 million working days lost in 2019/20², a stress audit can help add real focus and direction to an employer’s mental health strategy. The employer may see value in numerous areas, not just in health claims data and absence costs, but also the reduced impact of presenteeism and mitigation of work-related claims including under employers’ liability insurance.



- Yes
- No
- Not yet, but intend to have one within the next 12-18 months

Q57. Looking forward, which areas of your healthcare spend are you most looking to focus on?

There is a clear trend here playing toward the mantra that prevention is better (and less expensive) than the cure. Equally, this illustrates investment that correlates with where employees are most likely to be in their health journey. It is positive to note that the focus on supporting employees who may be unwell remains in place, as holistic health management programmes are a key component of a resilient business strategy.

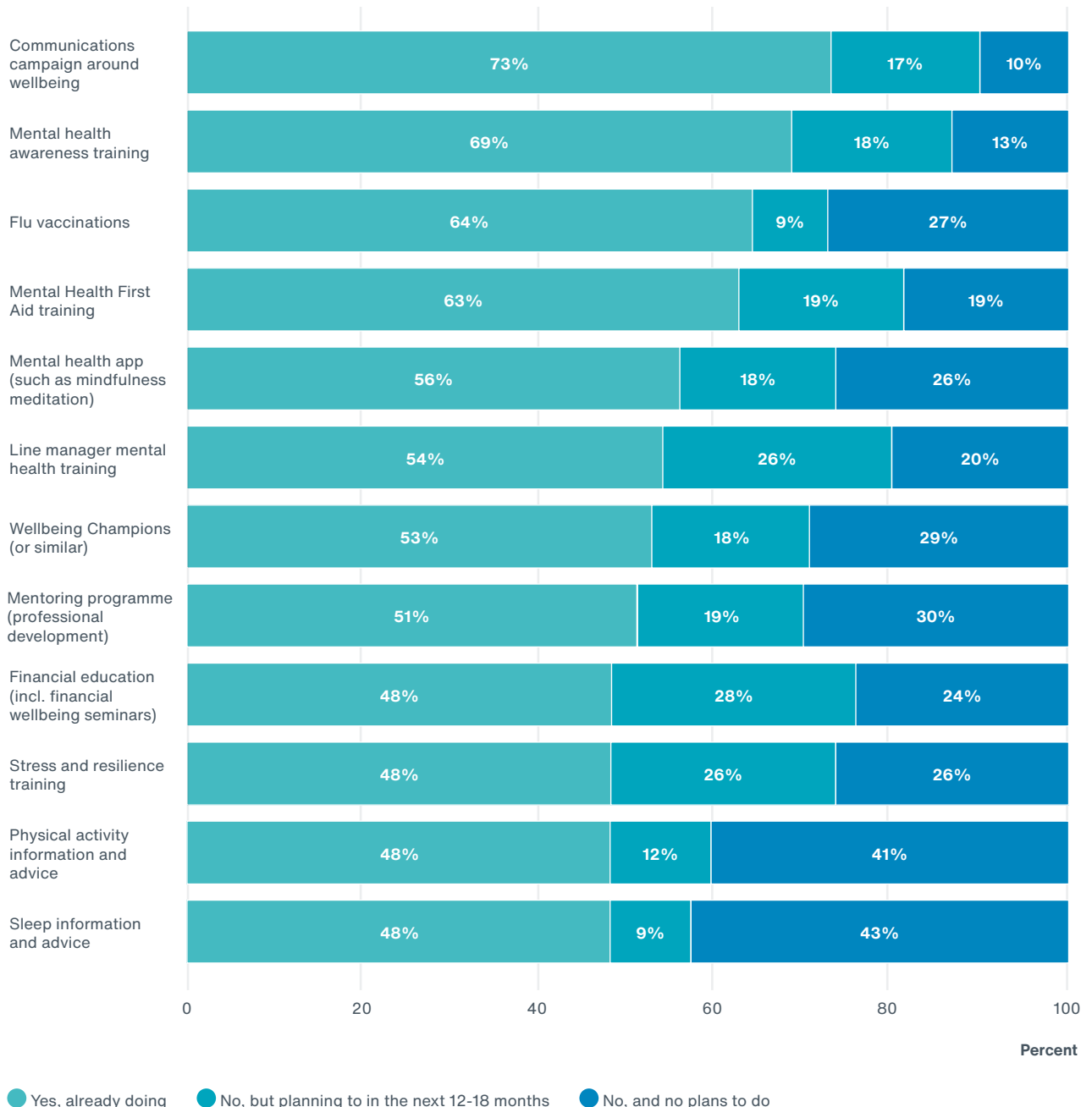


2. (Source: HSE 2019/20)

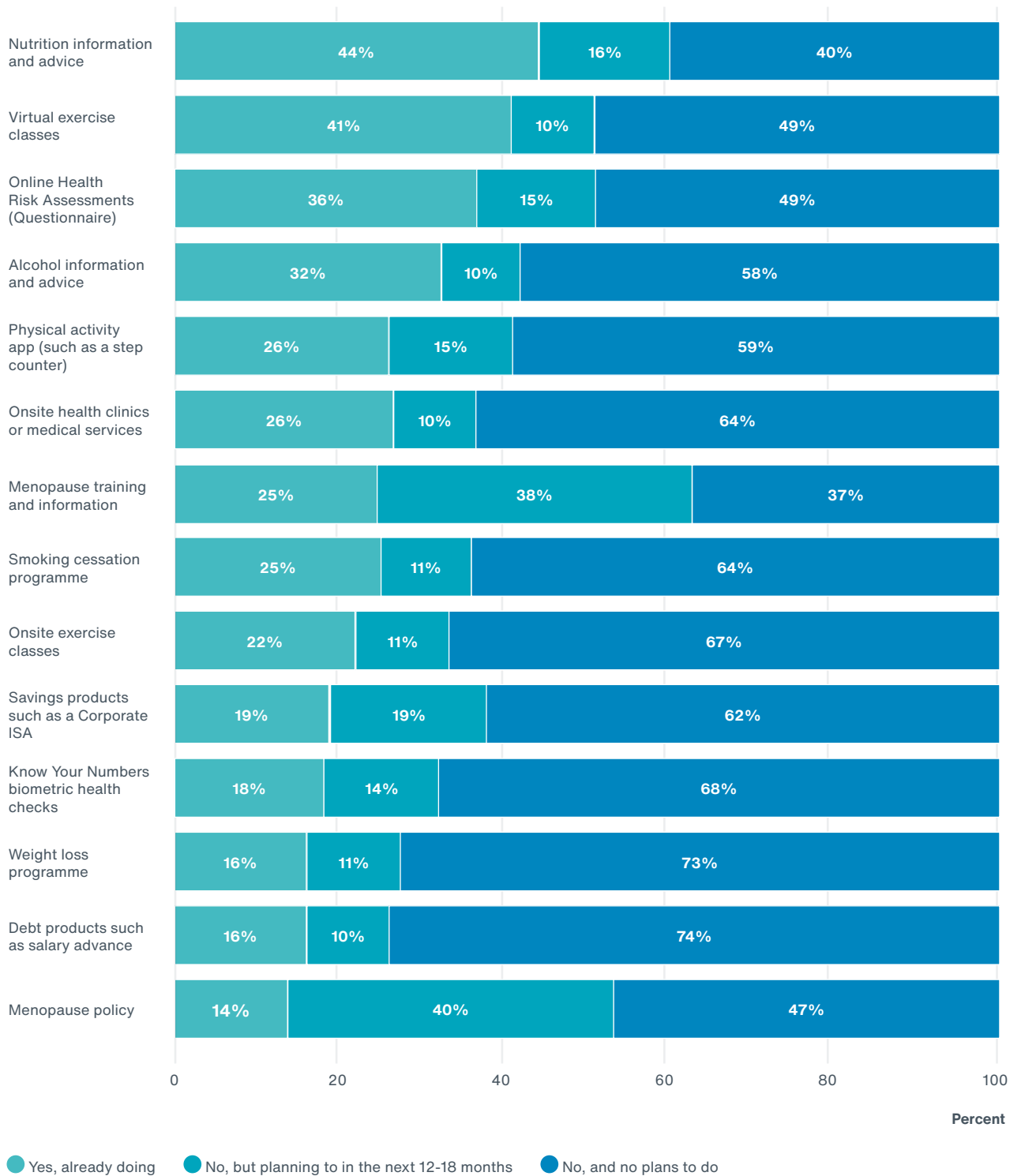
3

Q58. Do you offer any of the following as part of your Health and Wellbeing programme?

Communications campaigns around wellbeing are the most common component of wellbeing programmes with nearly three quarters of respondents currently focusing on these areas. The next most common components both relate to supporting mental health (awareness training and mental health first aid training). Mental health initiatives also feature high on the list of ambitions for next year but by some margin the top priority here focusses on women's health and the menopause in particular followed by enhanced support for financial wellbeing. However, consistent with our previous findings in this survey, physical wellbeing appears to feature lower on employers' list of priorities, with fewer either supporting employees or planning to do so, in areas such as physical activity, nutrition, smoking cessation and weight management. Improving lifestyle behaviours and detecting the early signs of ill-health deserves parity with other dimensions of wellbeing, reinforcing the view that a holistic approach to wellbeing will be most effective in catering for employees' diverse requirements.

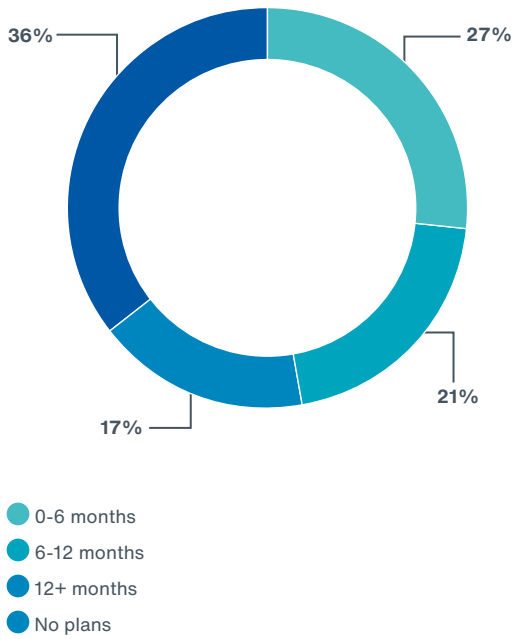


Q58 continued

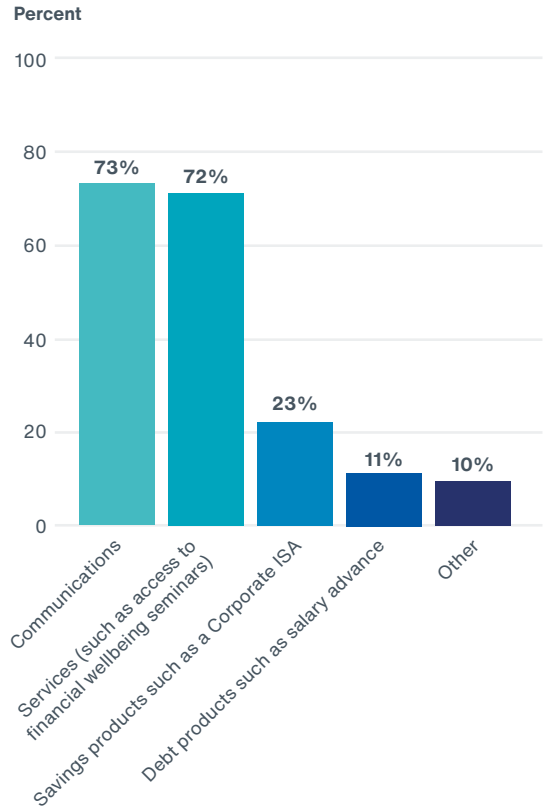


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Q59. Do you plan to implement initiatives relating to employee financial wellbeing in the next:



Q60. What do you plan to implement?

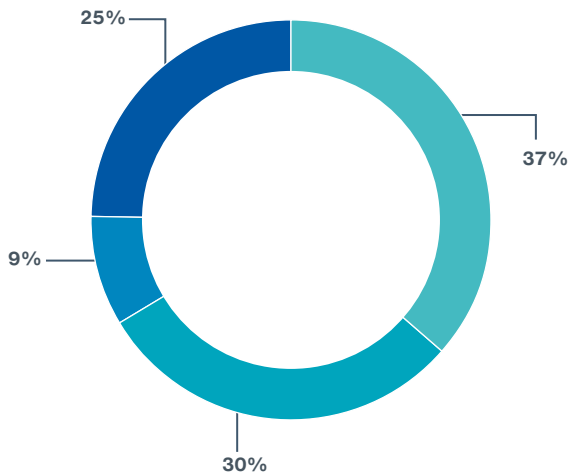


Overall, the intentions and timing of these intentions, to support employee financial wellbeing remains consistent with last year, with around two-thirds of employers planning to take further action. Again, consistent with 2021 is the intention to focus principally on improving communications and financial education. The findings indicate what is perhaps a shift away from interest in offering debt solutions and an increased focus on additional workplace savings vehicles.

3

Q61. Do you utilise an Occupational Health (OH) service to help deliver your Health and Wellbeing strategy?

Our survey this year is again broadly reflective of previous years' surveys, although for the first time, employers working more closely with a provider on an on-going basis has overtaken those that use Occupational Health (OH) on a more ad-hoc basis. This is an encouraging development, perhaps a sign of the increased importance being placed on the health of the workforce and the value OH can add. OH has continued to adjust its service offerings to accommodate the unique challenges of the pandemic. At first, physical in-person services had to be replaced by virtual assessments and as the future of work has evolved, employers are having to understand and manage employee health for an increasing number of home-based workers. Given this changing working environment and with a wide range of OH firms able to provide services, full consideration of specific requirements and review of the market is still considered best practice.



- Yes, we work on an ongoing basis with an external provider
- We access support from an external provider on an as required basis
- Yes, we have in-house resources
- No, we do not currently utilise Occupational Health resources



3

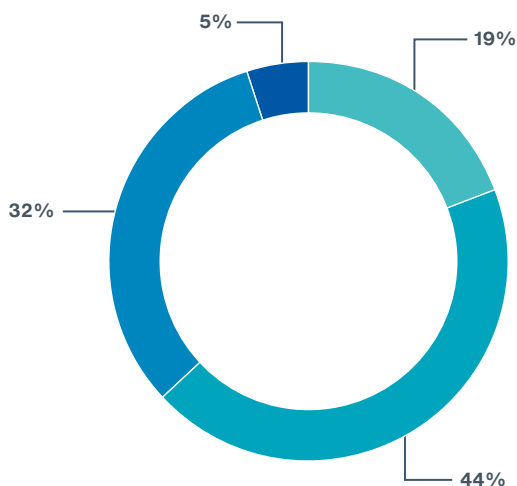
Q62. What best describes your level of satisfaction with the support your Occupational Health (OH) service currently delivers to your firm?

The improvements seen in employer satisfaction from our 2021 survey have largely levelled off in 2022. Whilst overall there are very few dissatisfied employers, it would be encouraging to see more satisfied and very satisfied employers. In our experience, dissatisfaction can often result from a disconnect between employer expectations and needs from the service, and those delivered by the provider. Respondents provided additional insight around challenges with services not being adequately tailored to their organisation, ineffective advice being provided, turnaround times being longer than required, and appointment availability. The OH market is facing particular challenges with resourcing, both due to lower numbers of qualified clinicians choosing OH for their career, and the backlog caused by the pandemic with some in-person only services now being resumed and employers needing to catch up on postponed activity. This reaffirms the importance of not just reviewing your OH provider but also the scope of services required of them.

Respondents were asked to provide more detail about their answers, and some quotes can be found below:

“Dynamic support is there if required and can normally be tailored to provide the best outcome for the employer and employee.”

“Generally satisfied however, there are times when appointments are very difficult to obtain and location can sometimes be an issue. During Covid-19 only telephone and video calls were available and often the technology failed.”



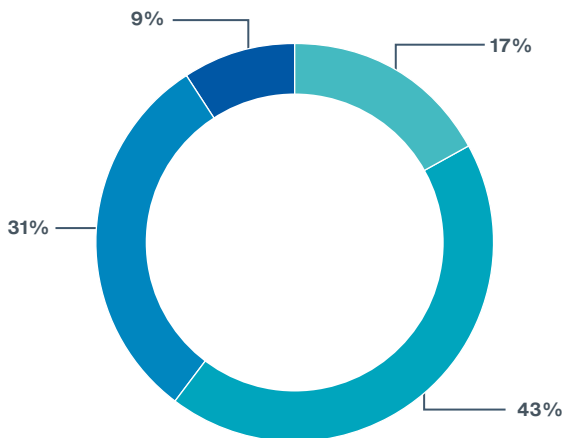
● Very satisfied ● Satisfied
● Mostly satisfied ● Dissatisfied



3

Q63. How confident are you in the accuracy of your absence data?

Overall, the number of employers recording employee absence are the same as in 2021 and the mechanisms preferred for doing this also remain unchanged. There has however been a drop in the number expressing that they are very confident in the accuracy of this information, falling from 22% in 2021 to 17% this year. For employers with employees who are working more from home, there is a concern of some absences going undetected, and rising levels of presenteeism, when employees show up for work when they should be off recovering. Given the increased likelihood of some absences going under the radar, there is no doubt that accurately recording employee absence remains a challenge that extends beyond the simple act of logging it on a system. The value of a dedicated absence recording service providing heightened in-the-moment support to the employee and superior data accuracy should not be underestimated in the post-pandemic working environment.



- Very confident
- Confident
- Somewhat confident
- Not confident



Health and Wellbeing

Aon's View

For those who were looking for the faintest of silver linings arising from the pandemic; a heightened focus on health, wellbeing and workplace resilience was one outcome our 2021 survey appeared to single out. Wind forward 12 months and we have to acknowledge that alongside some encouraging statements of intent, there remains little in the way of decisive action. There are of course some good reasons for this. The first half of 2021 was for many employers just as bleak as the previous year and the on-going and likely lasting legacies of the Covid-19 pandemic will continue to shape business operations and constrain spending.

If we acknowledge that some of the challenges are inevitably linked to the unprecedented events of the past two years, then we have to turn our focus to the themes called out in our survey that employers may have more power to control. Ninety-five per cent of employers now agree that they have a responsibility for the health and wellbeing of their workforce and acknowledge the impact that low levels of wellbeing and resilience will have on many important aspects of business performance. Inherently, employers know this is important and that they have a role to play. But there remains a paradox between these stated beliefs and the reality of action. What still holds us back?

We must be clear here. This is not a problem that you can just spend your way out of. There is no box marked "Wellbeing Solution" or "Resilience" waiting for employers to buy off-the-shelf as part of some Black Friday deal. Yes, funding certainly helps, but there are two or three strategic themes that if embraced will enable employers to execute a wellbeing solution that delivers maximum impact. Our survey results show that these themes remain the focus of only a small group of employers, suggesting that there is a significant and immediate opportunity for many businesses to take big steps forward.

Our first quick win is for employers to commit to developing and maintaining a formal strategy. Steps such as an audit of existing policies and a gap analysis of benefits and services may not sound exciting, but should form the foundation of any strategic review. The continued growth of free to access and added value services will mean that many employers are surprised at exactly how much resource they actually have at their disposal.

And this leads us quickly to our second theme. Regular review and assessment of what is available from the market. Leveraging the best terms will save money and provide access to the most relevant support services in the most cost-effective way possible.

Our final area of focus is data. Although it is great to see more employers than ever before looking to data to help guide strategy, our survey suggests that to date, this is doing little to move the dial. If the right data sources are used in the right way, it will help unlock several of our key challenges. Data should support decision making, justify investment and provide on-going feedback on performance. Importantly it will help engage the C-suite by providing clear metrics around issues that feed directly into top level business priorities such as productivity, employee engagement, risk management and supporting diversity.

These will be common ambitions for many employers and connect directly to the big business and societal challenges that Aon sees as critical to the future success of businesses. Navigating new forms of volatility, creating workforce resilience and addressing the underserved elements of society will resonate as key themes to address with many employers. Although our 2022 survey does not show progress to the extent that was suggested in 2021, the key findings do at least clearly point the way forward.

4

Engagement and Communications



Engagement and Communications



Andy Partridge
Senior Strategy Consultant

Key Findings and Insight

The world has changed in recent years, not just with the global pandemic, but with a much greater emphasis in society on critical issues around sustainability, and on Diversity, Equity and Inclusion (DEI).

Employees now have high expectations of their employer on environmental issues and on issues of diversity and inclusion – and this is reflected in corporate mission statements and values.

It has also led employers to look to improve the DEI of benefits packages – which this year's survey found to be more important than ever. And employers are also looking to the language that their communications are written in, to ensure that it is inclusive.

Of course, the way we communicate has changed fundamentally with the onset of the pandemic, and this year's Benefits and Trends Survey showed how much this has been true. The results have reflected

a big shift to home working and virtual meetings, even since the last set of results in 2021.

In this changing world, the desire to do more in engagement and articulating total reward is growing.

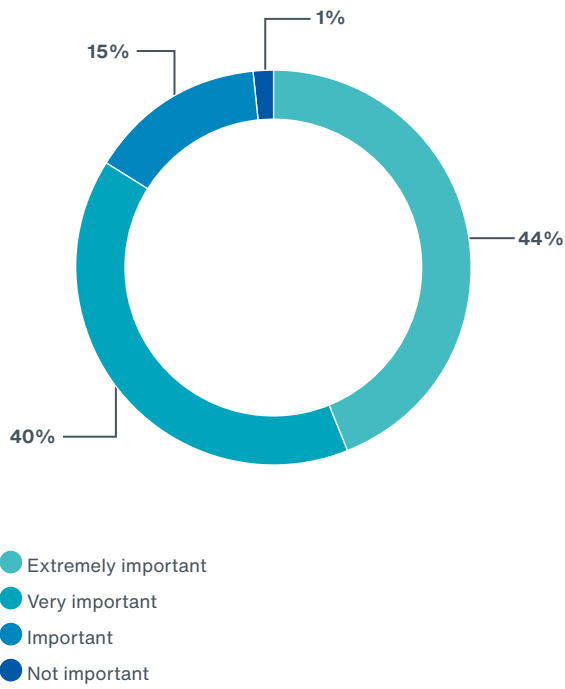
Yet, the survey showed the main barrier to doing more in communications is now due to a lack of resource – reflecting how busy teams have become in recent times and the challenges of recruitment and retention.

In this new world, employers are looking more to understand how their people think and feel about the communications they receive, and we have seen employers looking to do more regular surveys of their people. Starting to understand how employee's really think and feel, along with access to new technology channels to receive communications will allow increased employee engagement and the best employee experience for all employees, not just to fit the majority.

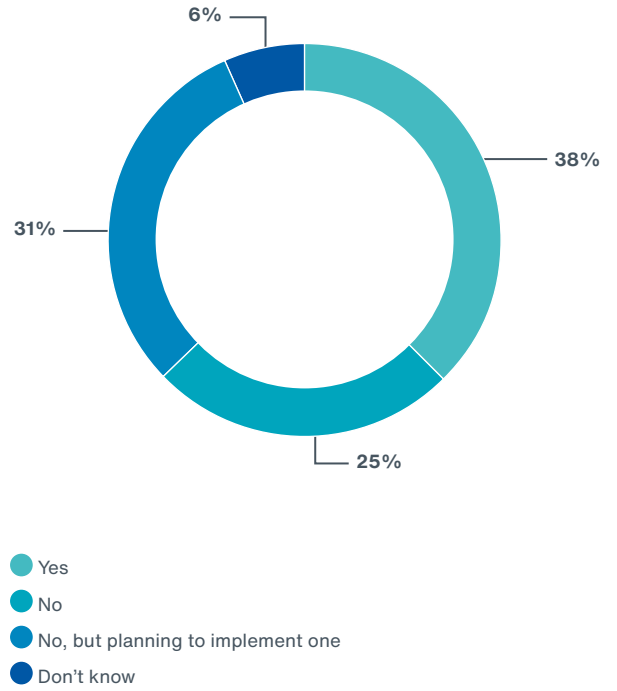


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Q64. How important is it to increase employee understanding and engagement with their benefits and/or health and financial wellbeing?



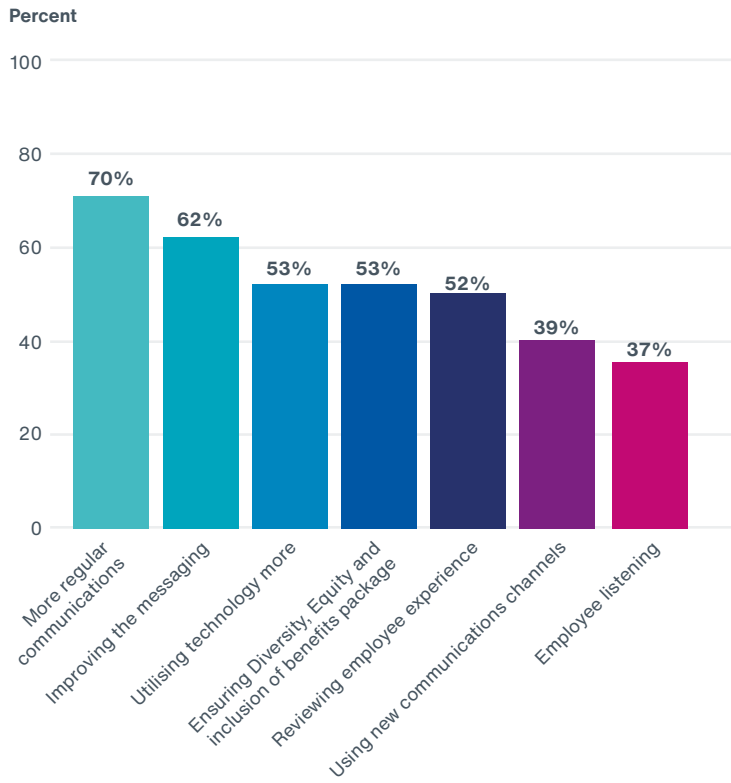
Q65. Do you have an engagement strategy in place?



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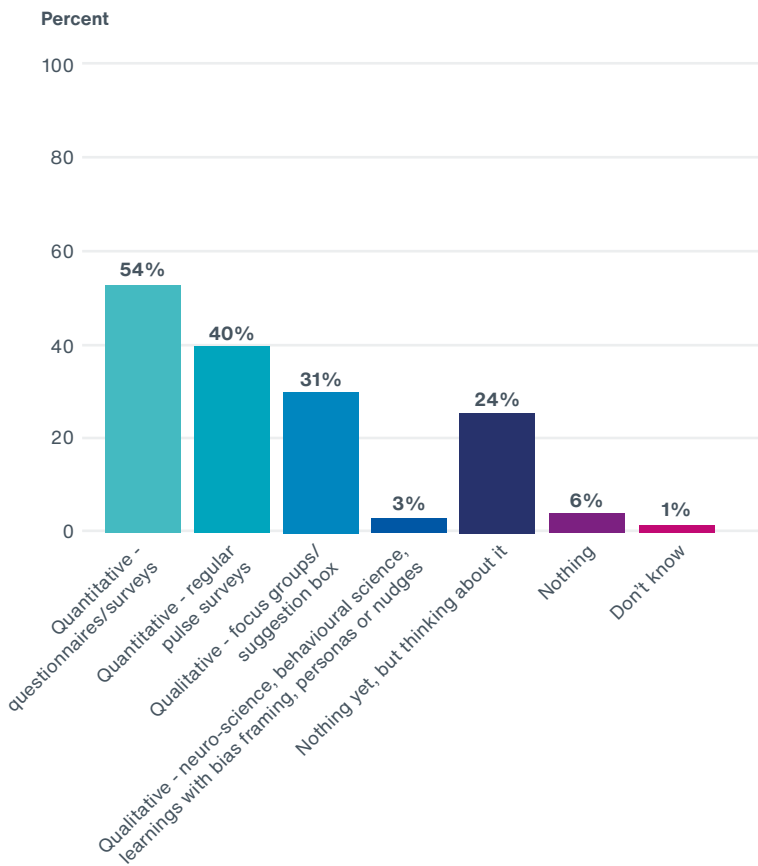
Q66. What is your key focus on benefits engagement for the next 12 months?

More regular communication remains the priority for 70% of employers, as they look to improve benefits engagement. However, an emerging theme in this year's survey was a desire to incorporate a greater emphasis on DEI in benefits provision, and in the way benefits are communicated. Some 53% said that reflecting DEI was a priority in benefits packages for 2022, so showed a strong desire to do more in this area against rising demand from employees.



Q67. What research/listening do you conduct with your employees to understand their needs?

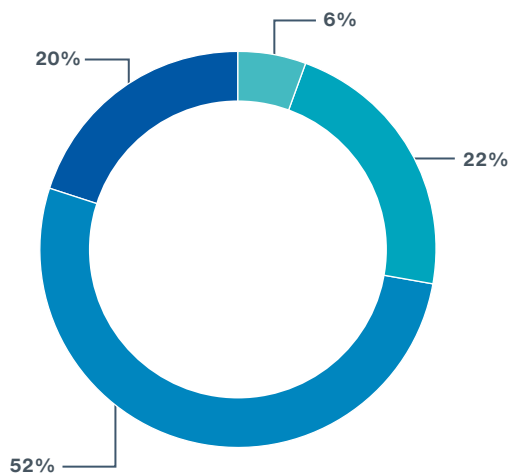
While the majority of employers continue to look to run quantitative – questionnaires/surveys, there is an increasing shift to more frequent pulse surveys to better understand people. Forty per cent of employers now run regular engagement surveys, up from just over 30% in 2021. Additionally, a small number of firms are also looking at running more surveys informed by neuro-science which taps into the respondents unconscious mind to get an unbiased view on how they really feel. While this number is currently small, we expect this to be a growing area in 2022, as more employers look to unearth what employees really think about big issues.



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Q68. In regard to neuro-science, behavioural science, learnings with bias framing, personas or nudges in your communication strategy, what stage of adoption are you at?

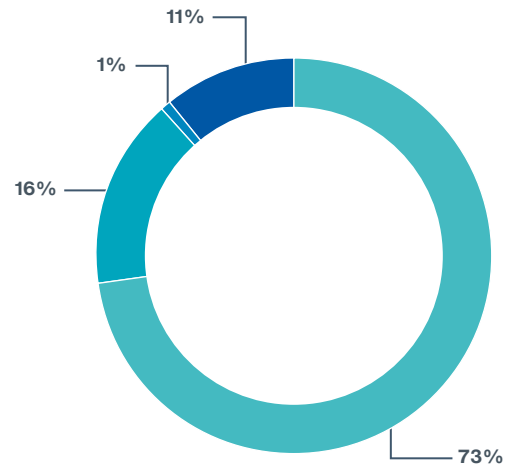
At present, just under a third (28% of employers) have implemented or expressed an interest in wanting to explore behavioural science. While this is widely seen as the next level to engage with employees, the first moves by employers in this area remain with those at the most innovative edge.



- Yes, we have implemented it
- No, but keen to understand more
- No, we don't use it
- Not sure what it is

Q69. How do you think technology and apps for wellbeing will impact engagement with employees for the future workspace?

Some 73% of employers think that technology and apps for wellbeing will positively impact engagement with employees for the future workplace, illustrating the power that technology can play. This was also high in 2021 and shows technology is something firms have been consistently looking at in recent years.

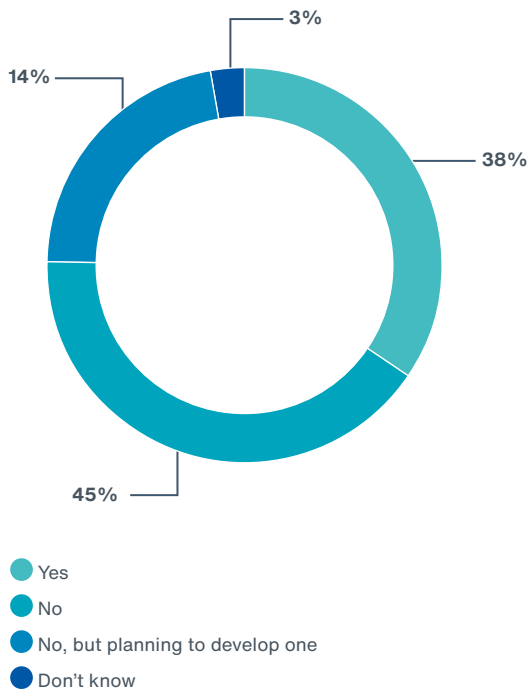


- Positively
- Stay the same
- Negatively
- Don't know

4

Q70. Do you have a benefits or wellbeing brand?

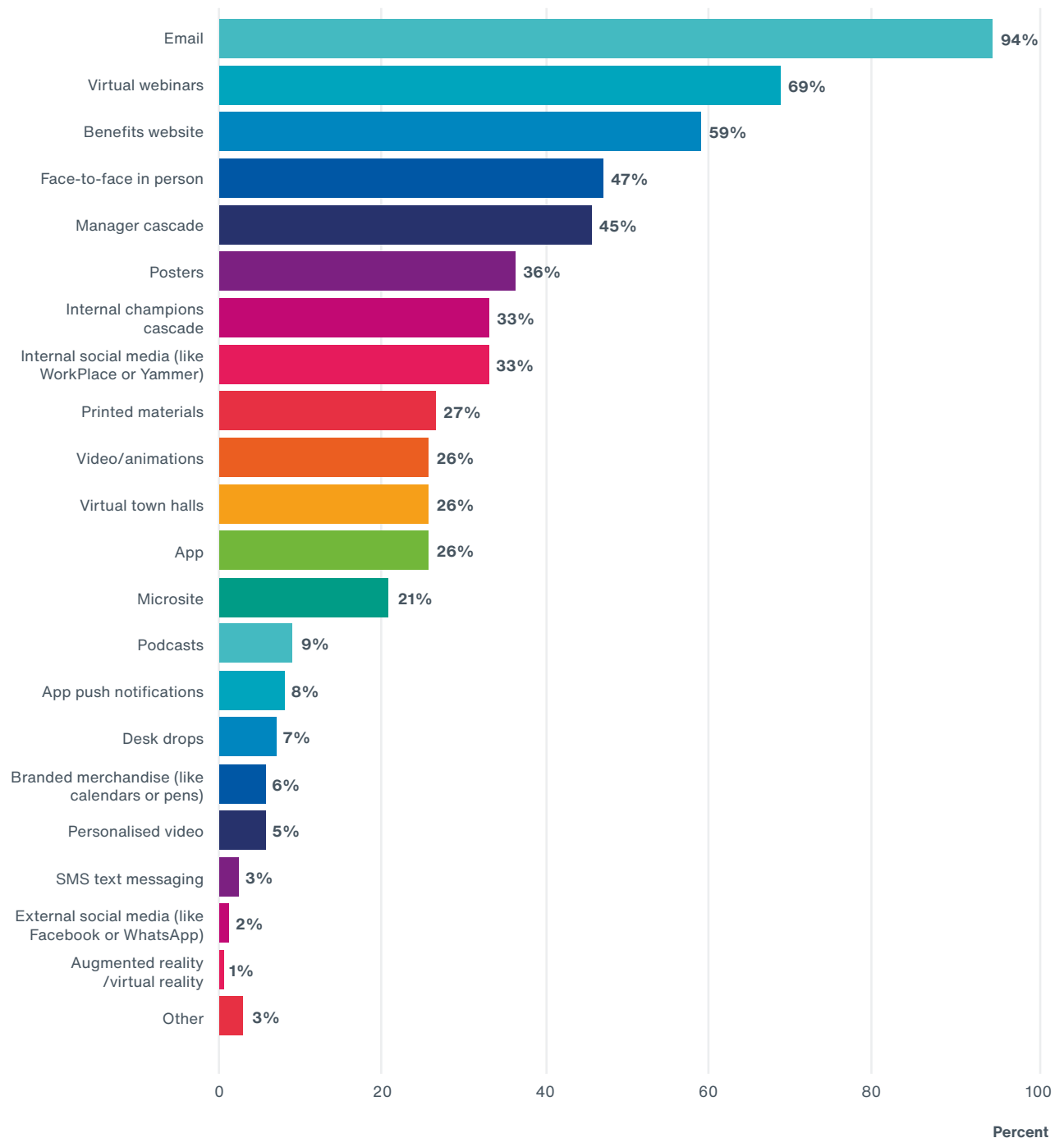
To improve benefits engagement, employers are increasingly looking to develop benefits branding, as over half of respondents said they either had, or were looking to develop a benefits brand. This is consistent with 2021 figures, showing this is something employers are interested in.



Q71. Which channels do you currently use or are planning to use when communicating and engaging with benefits and/or health and financial wellbeing?

The changes in workplace communications have continued in 2022, as firms continue to adapt to new working patterns following the pandemic. This year's results have reflected a big shift to home working and virtual meetings, with the use of webinars up to 69%, from just over 50% in 2021.

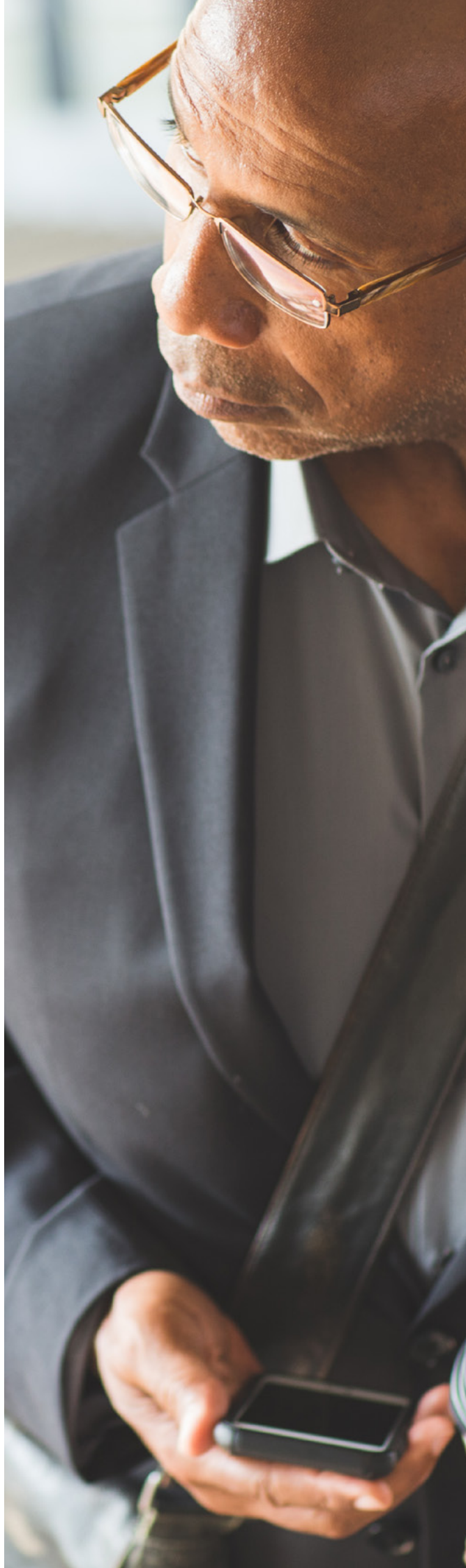
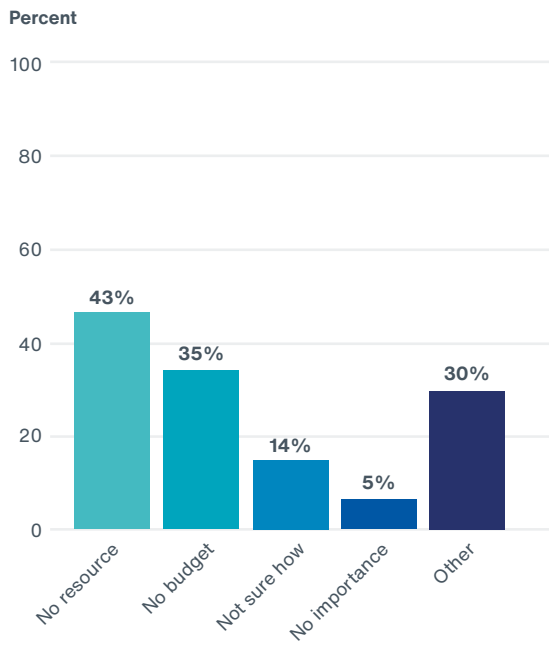
The nature of communications is also changing, with a greater focus on personal channels – with increases in the use of internal management cascades (up 6% to 45% in 2022) and champion networks (up 11% to 33% in 2022).



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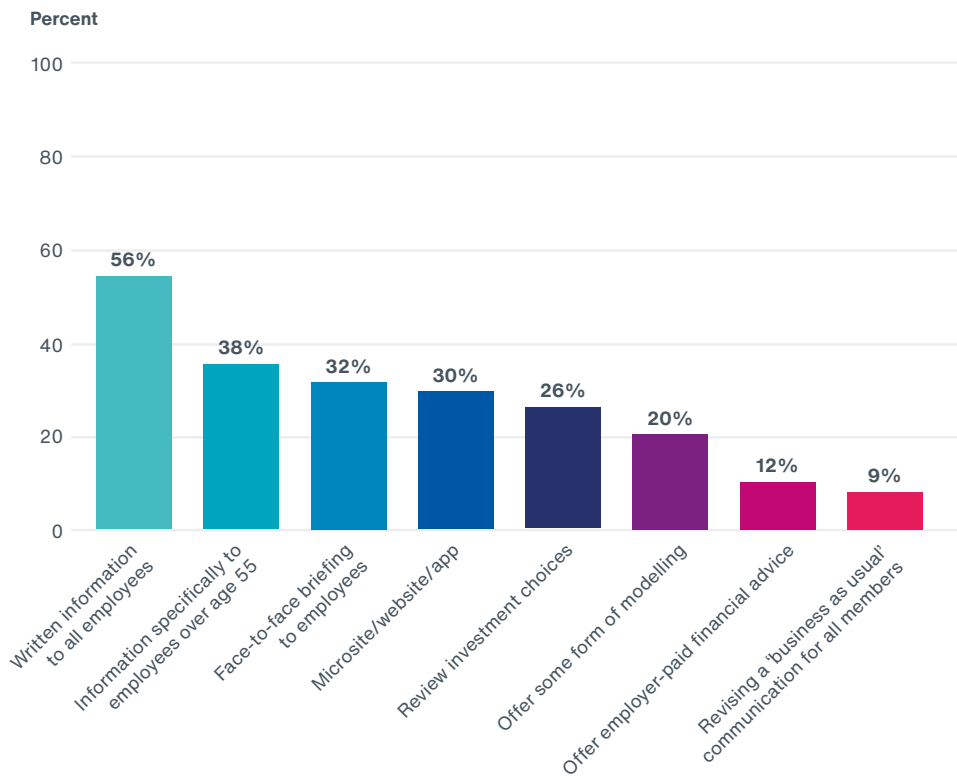
Q72. What are your barriers to engaging benefits and wellbeing communications?

The road to doing more on engagement has shifted in 2022, from not having the budget in 2021, to a majority of respondents not having the resource or budget to address it in 2022. Many of our respondents also cited a “general communication overload” for employees, as against the backdrop of Covid-19, there is a view that there is more limited capacity for staff to absorb greater messaging.



Q73. Regarding the flexibility around retirement choices in particular, which of the following communication activities have you done or are you considering?

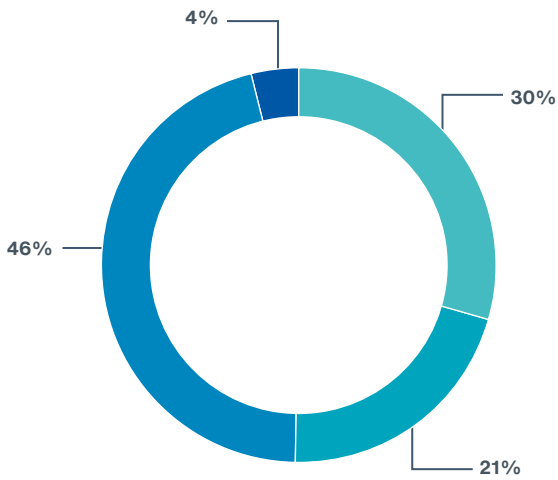
The results show a reduction in written communications, down from over 60% in 2021 to 56% in 2022. At the same time there has been a reduction in face-to-face communications (35% in 2021 to 32% in 2022), which is perhaps unsurprising against the changing nature of working habits with the pandemic.



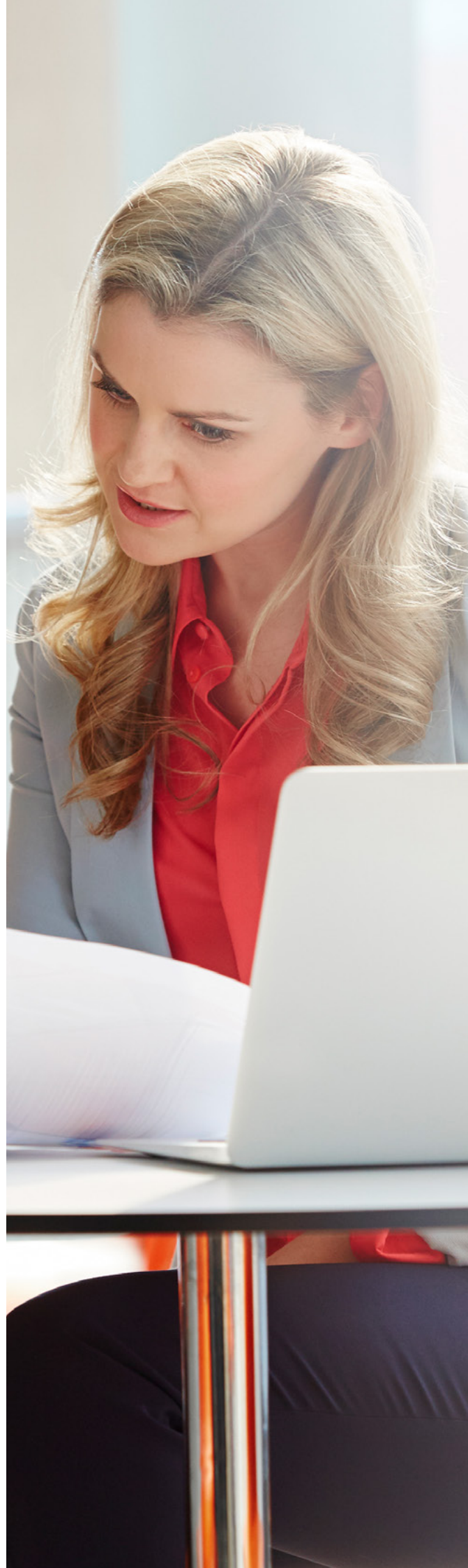
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Q74. Do you feel you are doing enough to support financial wellbeing and pensions through communications?

67% of employers still feel they aren't doing enough to support financial wellbeing and pensions through communications. This is up from 61% in 2021, so shows the problem is getting worse.

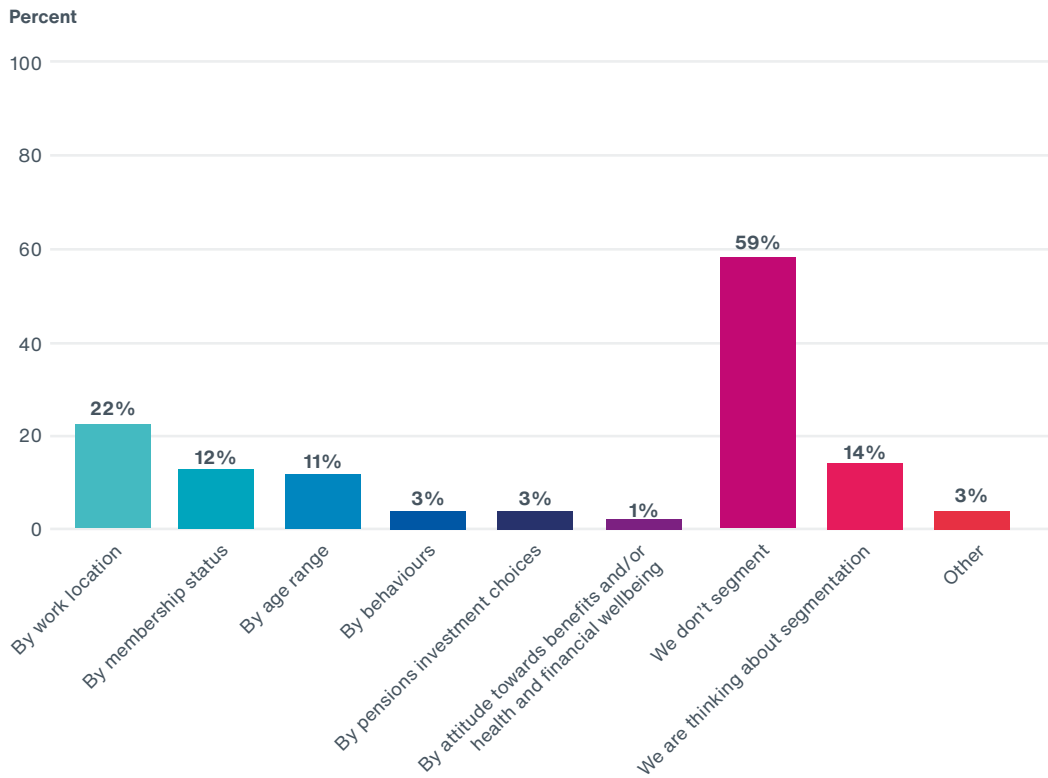


- Yes
- No
- No, but planning to do more
- Don't know



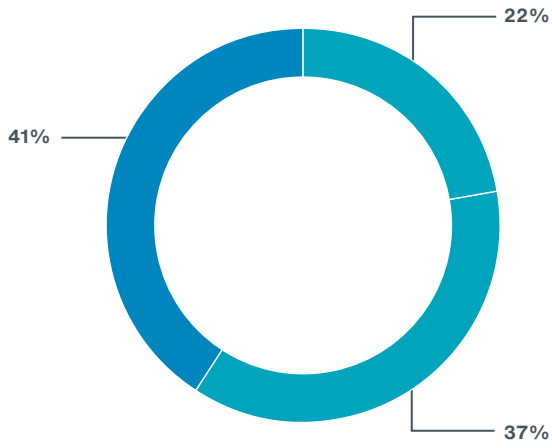
Q75. When communicating with employees, how do you segment your audience?

The majority of employers still don't segment messaging. However, among those that do, most now do this by work location. This is likely due to shifting work patterns with the pandemic. Age based segmentation was the most popular method in 2021 (with 18% of employers adopting this approach), however, work location has overtaken this with almost a quarter (22% of respondents) using this method.



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Q76. Would you be willing to increase spend to improve your communications?

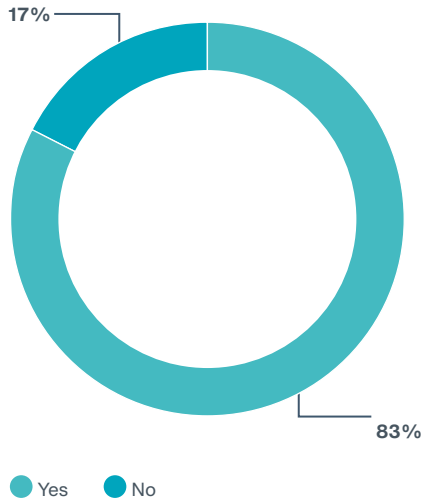


- Yes
- No
- Thinking about it



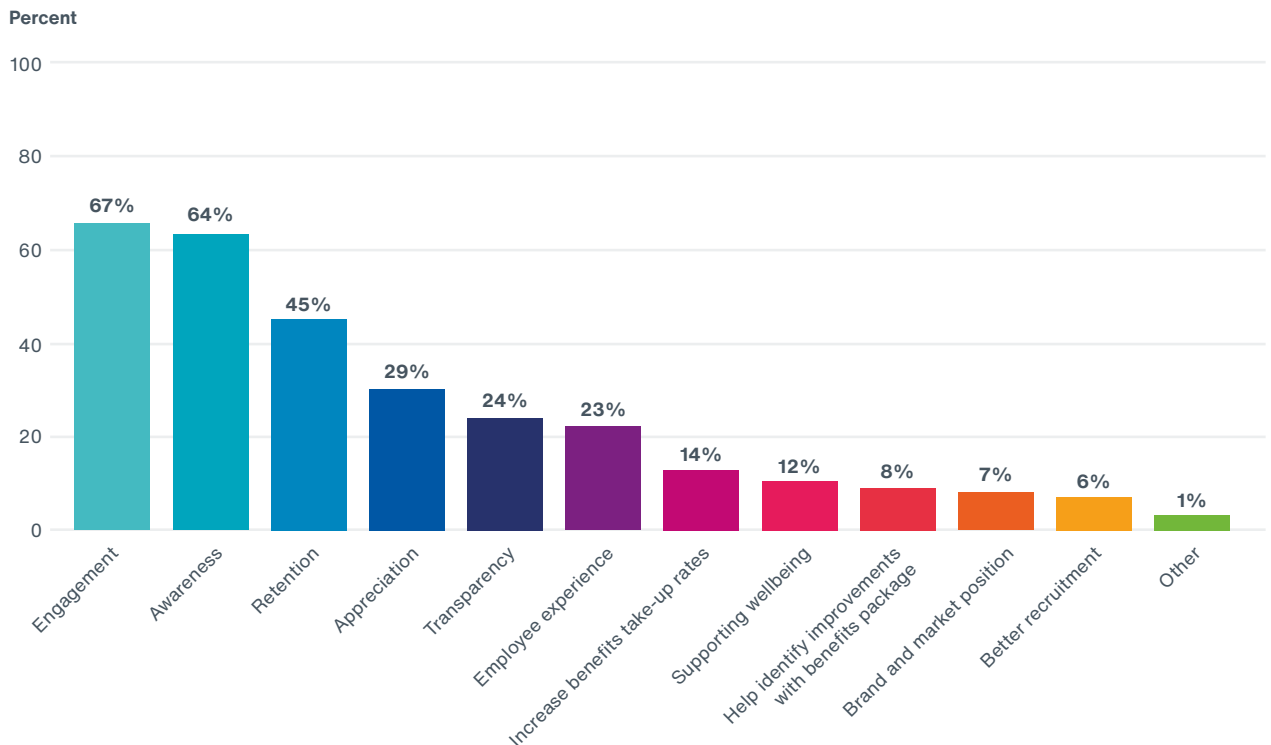
Q77. Do you want to increase your employees' understanding of Total Rewards?

This is a new question for 2022, but shows a very strong preference to increase understanding of total reward – with 83% of respondents wanting to do more.



Q78. What are your top three reasons for wanting to increase your employees' understanding of Total Rewards and the value of benefits?

Engagement and awareness continue to be the main reasons for wanting to increase employees' understanding of Total Reward and the value of benefits. However, it is worth noting that awareness has shot up 22% from last year's survey results to 64% and even more interestingly, retention has moved into third spot this year with an increase of 11% to 45% in 2022.



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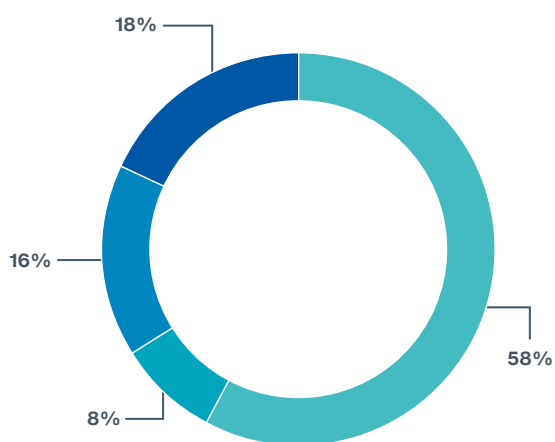
Q79. Do you feel your employee communications speak to and are representative of your workforce in terms of Diversity, Equity and Inclusion (DEI)?

Diversity, Equity and Inclusion (DEI) has been a key theme in client conversations in 2021. This is perhaps reflected in the findings that 58% say communications speak to and are representative of their workforce in terms of DEI. However, the results show there is still more to be done, with 16% responding that they could do more, and many comments from respondents on this issue, for example:

“DEI is an area we need to do a lot more work with - it would be wrong for us to assume we are representative.”

“We haven’t reviewed our communications using a D and I lens, but we’re keen to do so”

“Build in DEI angle into our comms so that this is more joined up”



- Yes
- No
- No, but keen to do more
- Not sure



Engagement and Communications

Aon's View

Desire to make improvements, through sustained effort

This year's survey found the desire to do more in engagement is growing – with 83% of employers wanting to increase employees understanding of Total Reward. Within this, more regular communication remains the priority for 70% of employers, as they look to improve benefits engagement.

To improve benefits engagement, employers are increasingly looking to develop benefits branding, as over half of respondents said they either had, or were looking to develop a benefits brand.

Diversity, Equity and Inclusion (DEI)

A strong theme in the feedback in this year's Benefits and Trends Survey was a desire to incorporate a greater emphasis on Diversity, Equity and Inclusion (DEI) in benefits provision, and in the way benefits are communicated. Some 53% said that reflecting DEI was a priority in benefits packages for 2022, so shows a strong desire to do more in this area against rising demand from employees.

Workplace communication continues to evolve

The changes in workplace communications have continued in 2022, as firms continue to adapt to new working patterns as a result of the pandemic. This year's results have reflected a big shift to home working and virtual meetings, with the use of webinars up to 69%, from 55% in 2021.

The nature of communications is also changing, with a greater focus on personal channels – with increases in the use of internal management cascades and champion networks.

The importance of technology is also increasingly apparent, as there is now less reliance on print, as employers increasingly use digital communications. In addition to the survey data, we also continue to see print volumes and spend falling across our client base, as employers print less and switch more to digital options. We are doing more virtual focus groups, animated videos, and web deployments than ever as a result.

Short and snappy videos are going to be the future of corporate communication – as employers increasingly learn from social media – where short-but-sweet video clips, lasting from 15 seconds to one minute dominate viewing statistics.

The barriers to greater engagement

The barriers to doing more in engagement have shifted in 2022, from not having the budget in 2021, to the majority of respondents not having the resource or budget to address it in 2022. The survey feedback also referenced a “general communication overload” for employees. Against the backdrop of Covid-19, there is a view that staff now have a diminishing capacity to absorb more messaging.

This is perhaps partly the reason why employers haven't yet done more in new areas, such as looking to behavioural insights to better understand their people. At present, just under a third (28% of employers) have looked to explore this area, with a view to shift employee behaviour. As Plato said: “Human behaviour flows from three main sources: desire, emotion and knowledge” – many employers can do more to tap into learnings to incorporate nudges and choice architecture to improve workforce engagement. However, the first moves by employers in this area remain with those at the leading edge of engagement.

Employee listening

Against the backdrop of these recent trends, employers are turning to more frequent pulse surveys to better understand their people. Almost 40% of employers now run regular engagement surveys, up from 31% in 2021.

While this is an encouraging trend, employers should consider how they could benefit from more neuro-based surveys to better understand their employees' true feelings. While pulse surveys can be valuable, the use of employee listening tools that use neuroscience such as Reflection, provided by Aon, can help to uncover how employees really think and feel about key issues.

5

Workplace Pensions



Workplace Pensions



Martin Parish, Workplace Pensions and Financial Wellbeing Lead

Key Findings and Insight

Reassuringly, this year's survey's results support the position that the majority of employers take workplace pension scheme responsibility very seriously. Seventy-two per cent of respondents operate formal pension scheme governance, 71% have reviewed their pension scheme since 2015 (the date so-called pension freedoms were introduced) and 89% review the investment performance of their respective default arrangement regularly. Which is all great news and further indicates that corporate risk management is a critical business objective. However, are we seeing a disconnect between corporate 'risk' objectives and employee support? Opt-out rates remain low, 63% of respondents have a less than 9% opt-out rate. But being in a pension scheme does not correlate with having an adequate retirement income.



**Adam Burn
UK Technical Lead (Workplace Pensions)**

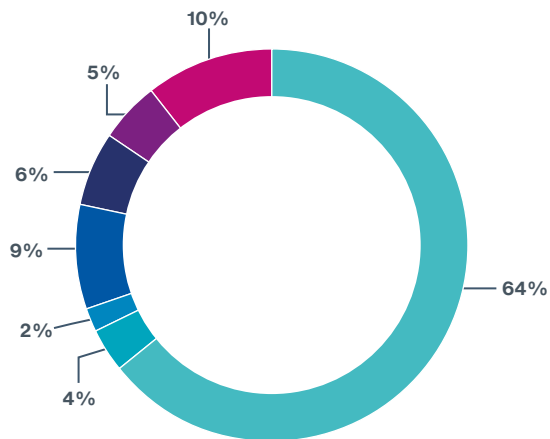
Survey responses covering employee engagement have not changed significantly over recent years; 78% communicating on pensions by email, 68% directing employees to a self-service portal, only 94 respondents offer any kind of pension related seminars/webinars and, possibly the one of most concern, 58% don't know what support their people will get at retirement – a point in time where the decisions made will materially impact one's future financial wellbeing. Our respondents spend a huge amount of money on their pension provision. Driving employee engagement in their workplace pension scheme is a great way to demonstrate benefit value, appreciation and return on investment – also key corporate objectives.



5

Q80. Which type of pension plan do you currently operate?

Over 80% of respondents provide their employees with a contract-based money purchase pension scheme which is consistent with last year's survey. The use of a Master Trust arrangement has increased from 9% to 10% whilst the percentage of employers using Occupation Trust based schemes has further reduced from 7% in 2021 to 6%. This endorses wider market data regarding the use of Master Trust arrangements by employers, exiting own trust pension schemes to satisfy their statutory pension obligations and the wide use of contract-based pensions by a diverse portfolio of employers.



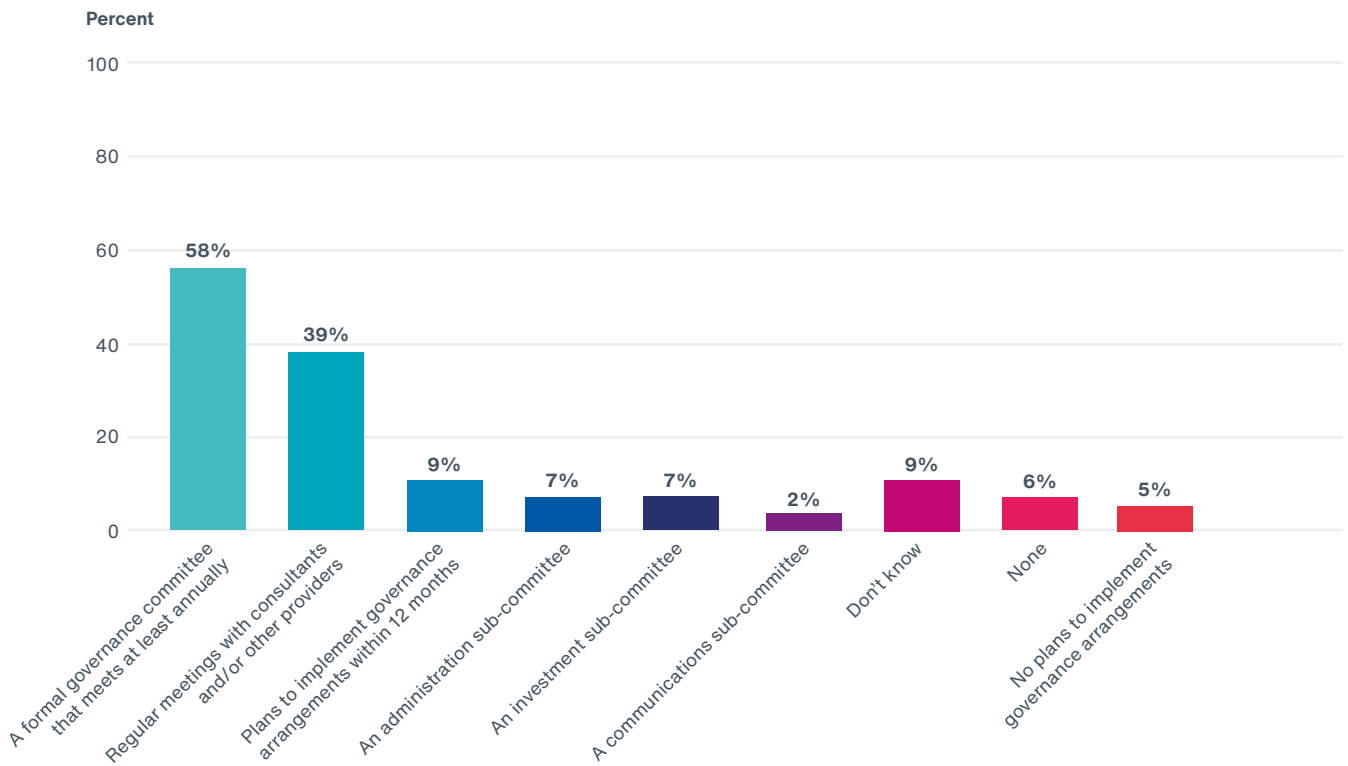
- Group personal pension
- Occupational trust-based plan bundled
- Occupational trust-based plan unbundled
- Stakeholder plan
- Group self-invested personal pension plan
- Defined benefit scheme
- Master trust



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Q81. What, if any, governance arrangements do you have in place?

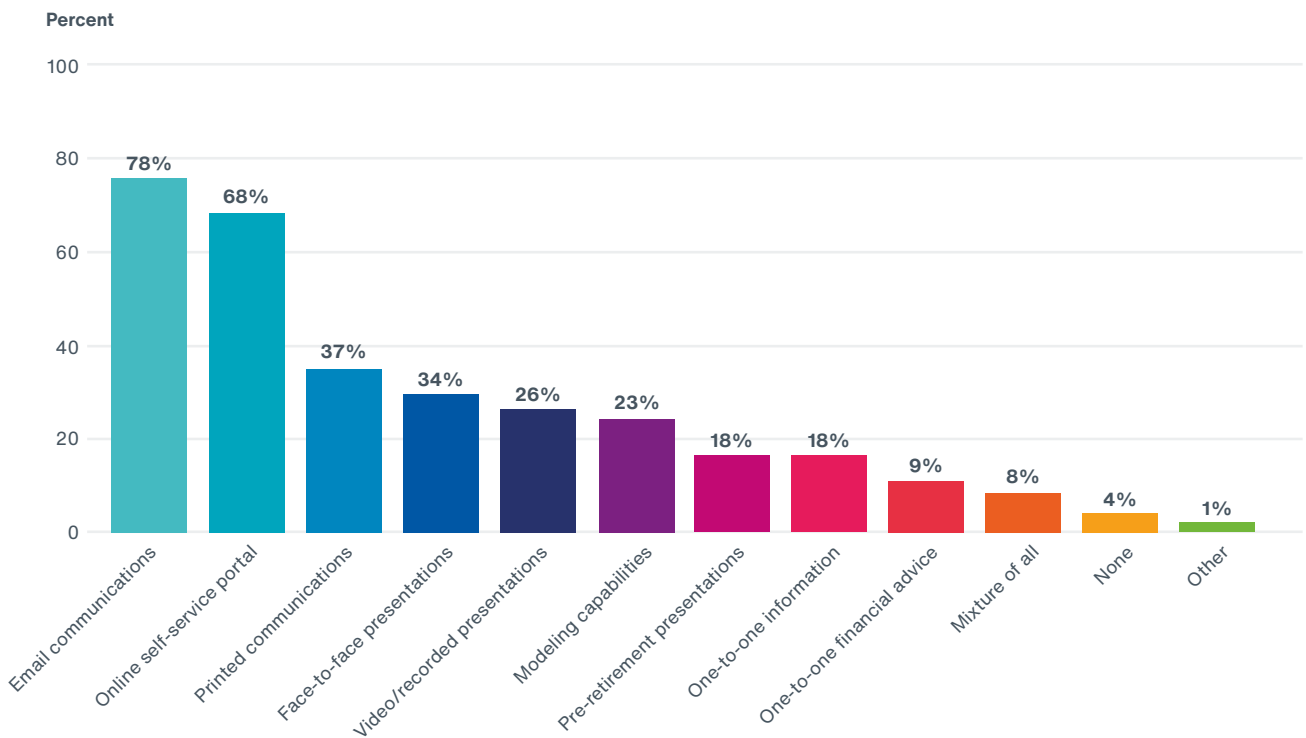
This year's survey sees a reduction in the percentage of respondents answering "don't know", "none" or "no plans to have" from 25% in 2021, to 20% now. This is encouraging as more employers recognise the necessity to formally review and monitor their workplace pension provision to support employees with creating adequate retirement provision.



Q82. What methods do you use to educate and engage employees and members about their pension scheme/plan?

The 2022 survey, disappointingly, continues to evidence that the most common form of communication to educate and engage members is by email and at a greater level than last year (78% in 2022, from 71% in 2021). There has been increases in the percentage that utilise online self-service portals (2022 - 68%, 2021 - 56%), printed communications (2022 - 37%, 2021 - 31%), face-to-face presentations (2022 - 34%, 2021 - 31%), one-to-one information (2022 - 18%, 2021 - 12%), video recorded sessions (2022 - 26%, 2021 - 21%) and modeling capabilities (2022 - 23%, 2021 - 20%). However, this year we have seen a reduction in the percentage of respondents using pre-retirement presentations and one-to-one financial advice to communicate with employees and members.

The continued impact of the pandemic on working patterns and locations have, no doubt, influenced the way that engagement is delivered, but it is likely that the increased use of the technological developments accelerated by the pandemic, together with the increase in members returning to work locations should see engagement activity increase going forward.

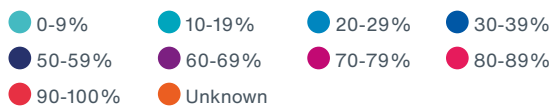
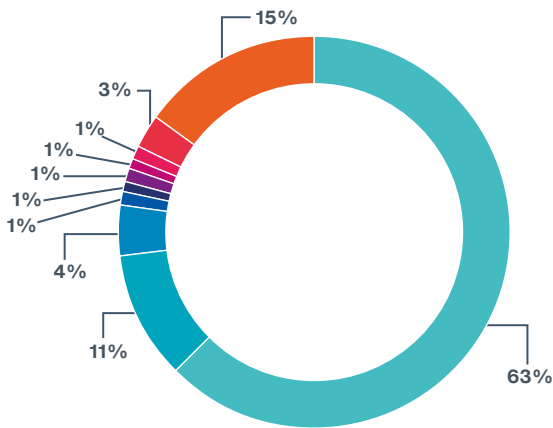


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Q83. What percentage of your employees have opted out of your workplace pension scheme?

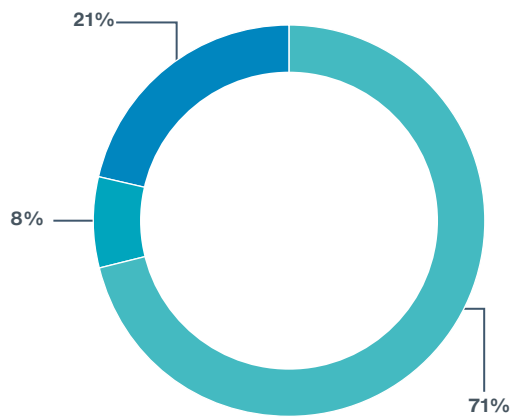
Opt-out rates of 9% or less continues to be the majority of responses at 63% although this is lower than the rate of 69% seen in both 2021 and 2020. The opt-out rate of 10 - 19% has also decreased this year to 11% (12% 2021) but there is a proportionally large increase in the number of respondents reporting opt-out rates of 20%-29% (2022 - 4%, 2021 - <1%) or stating that the rate is unknown (2022 - 15%, 2021 - 12%).

It is likely that these increases can be attributed to some of the financial pressures of the pandemic as some households see reduced income. As stated in last year's survey, we suspect that many people electing to opt-out of the pension would prefer to reduce the contributions made rather than stop contributing entirely in order to continue to benefit from employer contributions however, either the lack of such an option or the lack of understanding that this is possible may have led to the decision to opt-out. Employers should consider whether alternatives to opting-out are available to members and, if so, communicate this so they can understand the benefits of the other options.



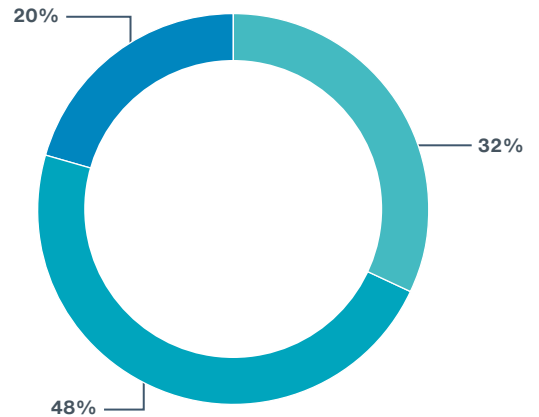
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Q84. Have you reviewed your pension scheme provision since the introduction of Pension Freedoms (2015)?



● Yes
● No
● Don't know

Q85. Are you planning to review your pension scheme provision in the next year?

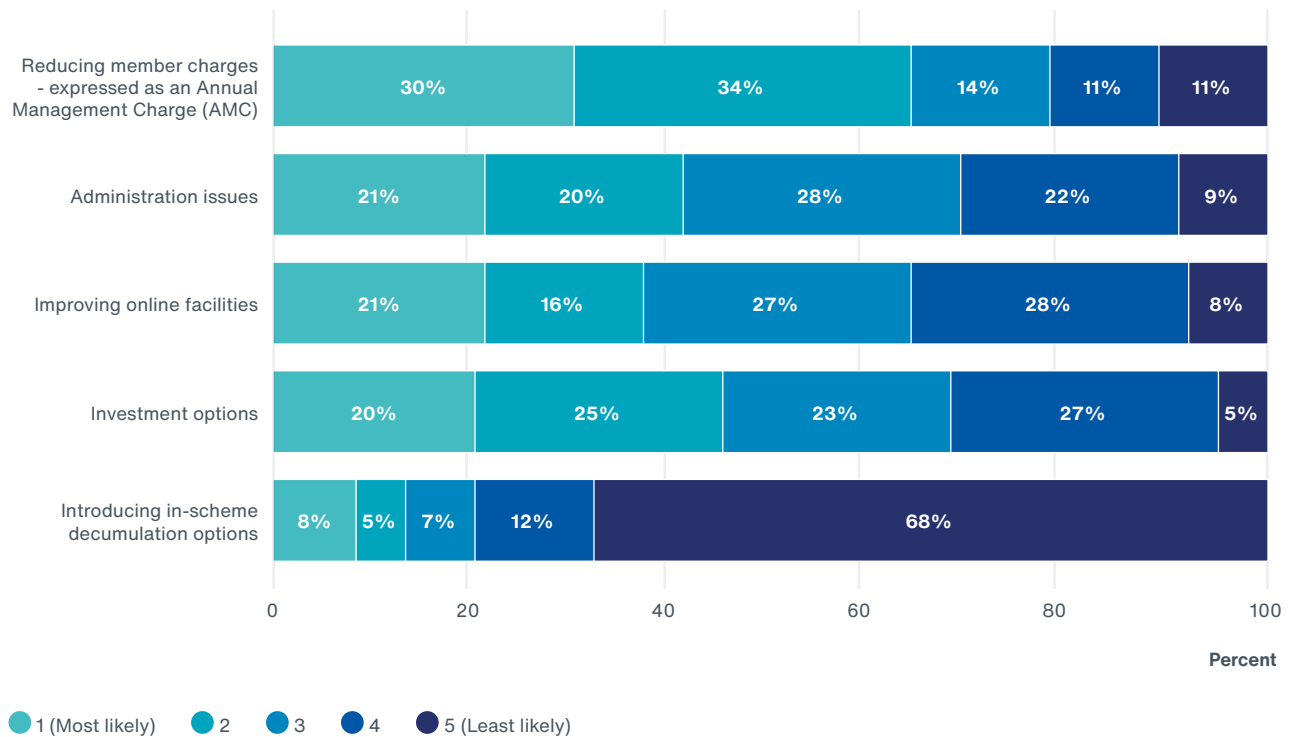


● Yes
● No
● Don't know

There has been a small decrease in employers that have stated that they have reviewed their schemes since the introduction of Pension Freedoms in 2015 (2022 - 71%, 2021 - 72%) but a large increase in the number who "don't know" (2022 - 21%, 2021 - 16%). As over a fifth of employers cannot definitively state that they have reviewed their pension provision to align with the options now available under Pension Freedoms there is still, in Aon's opinion, a relatively high level of corporate risk evident. However, the number of respondents intending to review their scheme in the next 12 months is consistent with last year at 32% which continues to be encouraging.

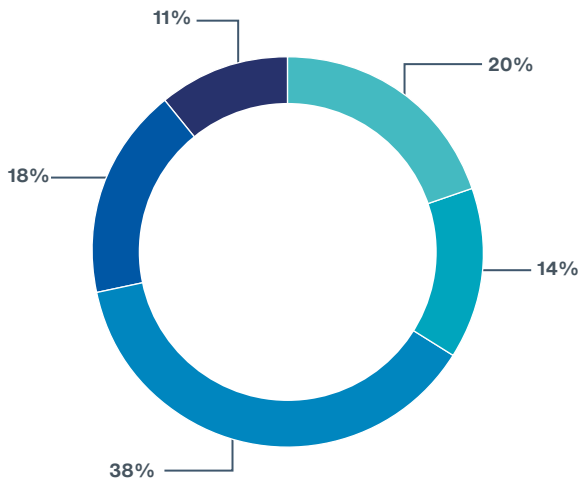
Q86. Rank, in order, the factors most likely to lead you to consider changing your pension provider?

Reducing Members Charges' is again the most popular factor for considering a change in pension provider. This will continue for years to come as it is a tangible factor that employers have a direct say on. However, as the UK pension's market starts to evaluate more around what is 'value for money', Aon expects other factors to play an increasing role in provider selection. For example, whilst "introducing in-scheme decumulation" is the factor that is ranked fifth by most respondents, we anticipate that employees will require and want a 'to and through' pension journey, as such this factor will become more important moving forwards. Additionally, let's not forget price is only one factor that leads to 'good retirement outcomes' and employers should take a holistic view on the factors that are important to them and their people before embarking on change. Importantly, it is all very well having a big pension fund at retirement, but if the support and services are not there to make the best use of the fund, then all the employer and employees hard work can easily be undone.



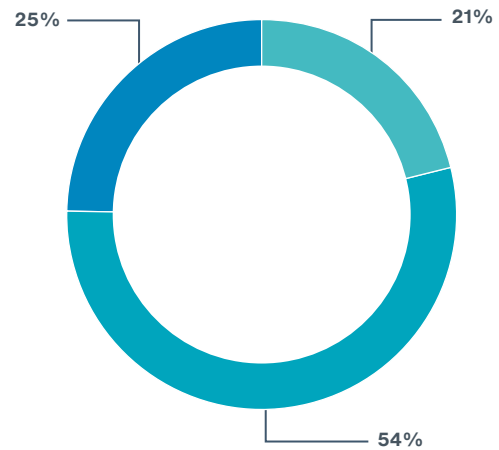
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Q87. How often do you review the investment performance of your default investment option?



- Quarterly
- Half-yearly
- Annually
- Ad hoc
- Never

Q88. When was the last time you changed your default investment option or any of the funds in it?



- 0-12 months
- Over one year ago
- Never

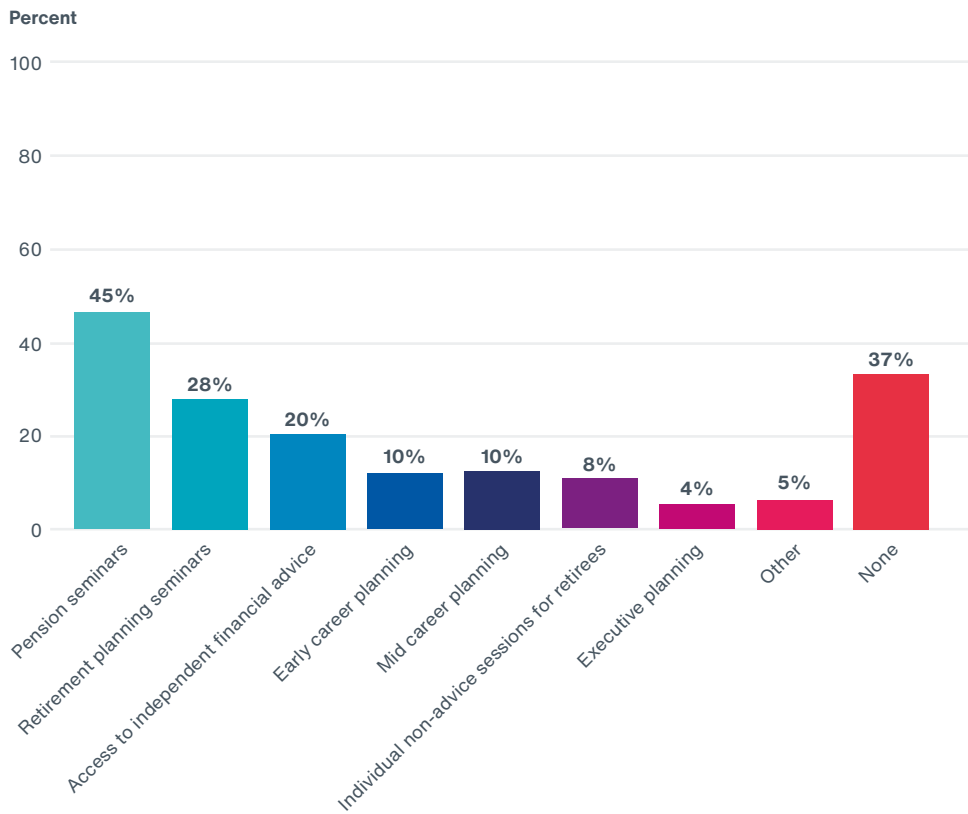
As data shows that around 92% of members in workplace pensions³ are invested in their scheme default investment option (DIO), it is encouraging that around 90% of respondents review the investment performance of this investment option. The apathy of members in relation to making informed investment decisions means that this performance is integral to providing good member outcomes at retirement.

However, the fact that a quarter of respondents have never changed the scheme default investment option is potentially concerning as this could mean that disengaged members could be disadvantaged. However, this may not be the case if the constituent elements of the default investment option are able to be altered without member consent or involvement in order to be consistent with innovations in investment strategy.

3. (Source: Pension Policy Institute DC Futures Book 2021)

Q89. What financial education services do you offer employees?

As with previous years, access to pension (45%) and retirement planning (28%) seminars continue to be the most prevalent financial education offered to employees. However, the proportion of respondents that do not offer any financial education has increased to 37% (35% in 2021) which is particularly concerning when considering that most employees will look to their employer for assistance, a situation that has been exacerbated by the rise in mental and financial wellbeing.

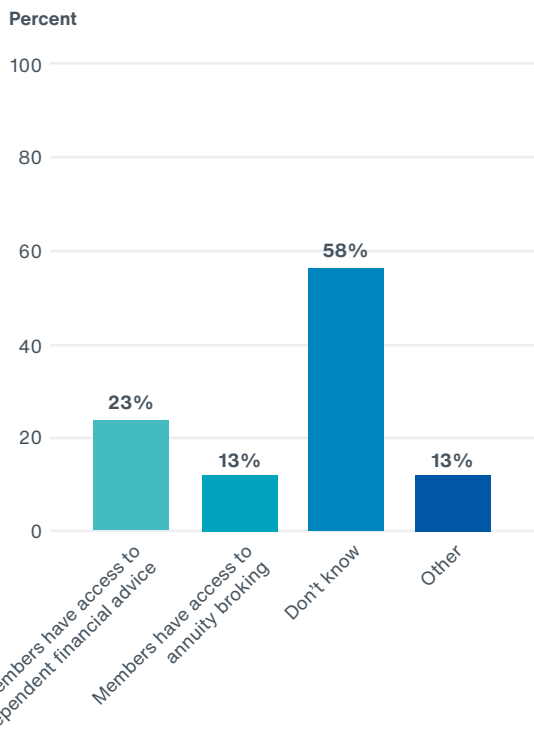


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Q90. How do you manage retirements in your Defined Contribution (DC) Plan?

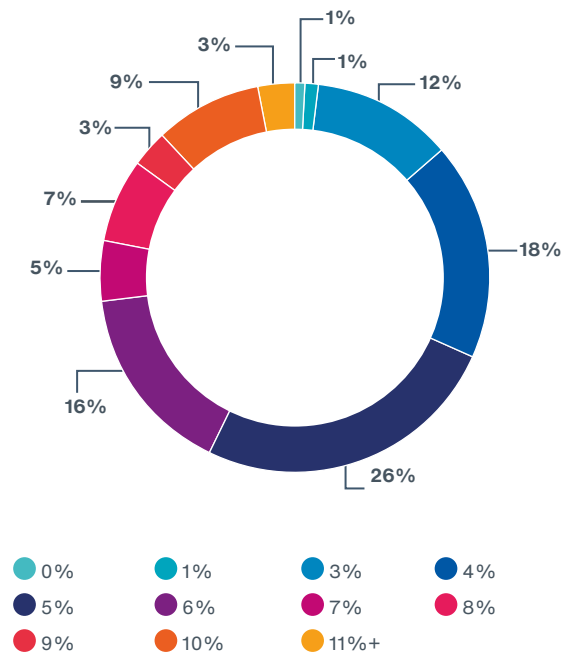
Any support provided to employees in making retirement decisions is welcomed as incorrect or poor decisions at this point could result in severe financial detriment for individuals and families. The fact that 58% of respondents do not know how retirements are managed is particularly concerning.

Individuals making poor retirement decisions or even not retiring through a lack of support in relation to their pension could present, potentially, a corporate risk in respect of increased costs, absenteeism and blocking career progression for others.



Q91. What is the base level of Employer pension contributions the company pays for individuals being enrolled into the scheme?

This year's survey is consistent with previous years where the most commonplace level of employer contribution for enrolled employees (before any increases due to higher employee payments) is either 4%, 5% or 6%. These levels are unsurprising due to the statutory requirements of Automatic Enrolment (AE) legislation, however they do reflect the fact that most employers do, typically, structure their scheme contributions at a level above the minimum statutory requirement.

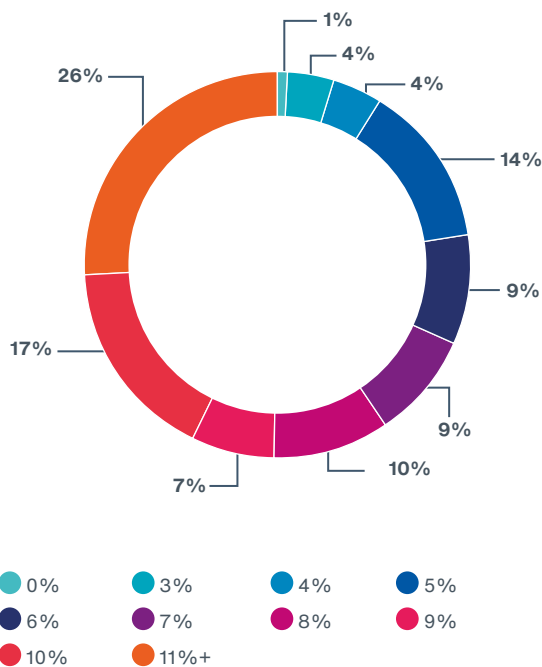


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Q92. What is the maximum level of Employer contribution available under the scheme?

Over 90% of respondents provide a maximum employer contribution of 5% or more which is encouraging. Furthermore, with over 60% providing a maximum employer contribution of 8% or more, the majority of employees have the opportunity to fund their pension at a level that could provide a good retirement outcome.

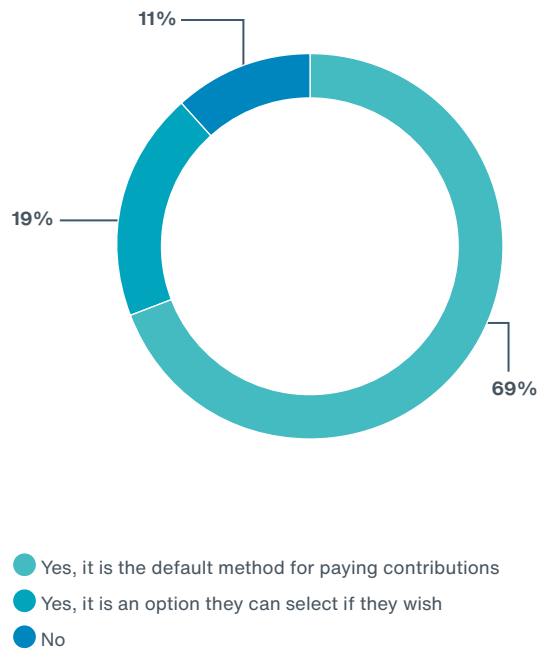
Nevertheless, the option for employees to pay more and therefore facilitate an improved retirement outcome is only valuable if the scheme member is aware of this possibility and understands the benefit of taking action to ensure that an increased contribution is received. Therefore, employers need to consider how these options are communicated to employees.



Q93. Do your employees have the option to pay pension contributions using salary sacrifice?

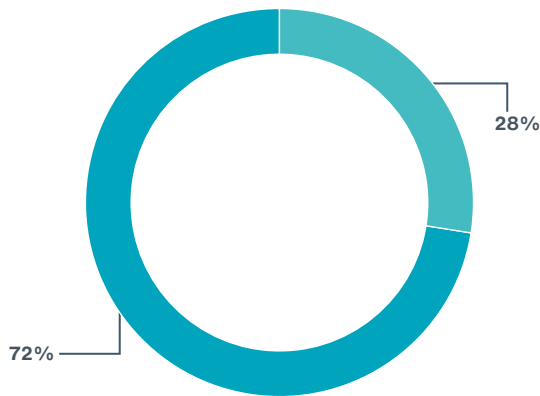
With almost seven out of every 10 schemes offering salary sacrifice as the default method for making contributions, we are seeing the majority of schemes providing employees the option to pay into their pension in the most cost-efficient way. A further 19% offer salary sacrifice as a choice for the member to select meaning that only 11% have yet to implement this facility.

The increase from April 2022 in both employer and employee National Insurance rates to accommodate the new Health and Social Care Levy means that this method of pension contribution should be even more attractive to all employers.



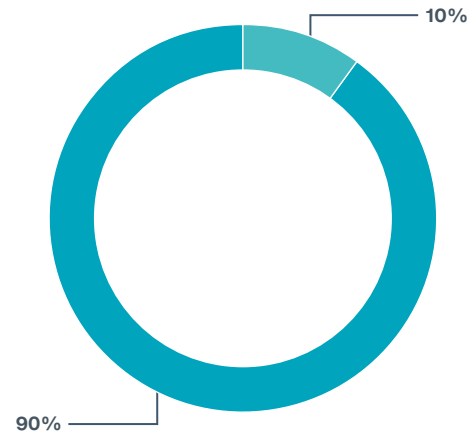
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Q94. Do you provide higher levels of contribution based on seniority of position?



● Yes
● No

Q95. Do you provide higher levels of contributions based on length of service with the employer?



● Yes
● No

There has been no change in contribution levels linked to seniority this year at 28%. As detailed in last year's survey, this consistency is surprising as many employers drive their Diversity, Equity and Inclusion (DEI) strategies we would have expected the data to show a trend away from pension contributions linked to seniority. This is supported by the fact that 90% of schemes do not offer increased contributions based upon length of service.

As stated last year, perhaps it indicates that pension policy is not considered part of DEI policies. As there is no common research on this matter as to whether pension policy should or should not be considered part of DEI policies, it is down to individual corporate policies.

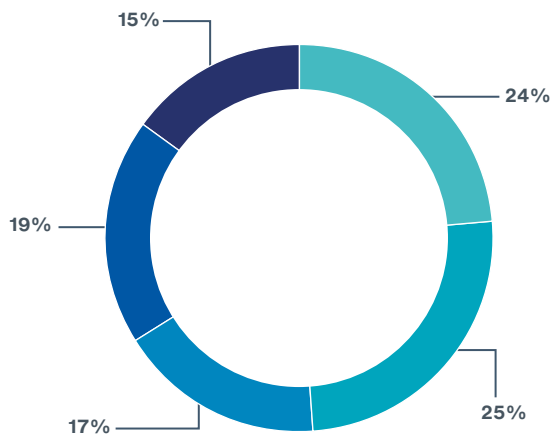
5

Q96. What consideration have you given to the Environmental, Social and Governance (ESG) in the design of your pension scheme default fund or alternative fund options?

As one of the major developing themes in relation to pension scheme design, it is not surprising that we have seen a large increase in the number of schemes taking action in relation to this matter. Forty-nine per cent of schemes have now considered and/or implemented ESG within their default investment option or alternative strategies compared with 33% in the 2021 survey. Additionally, the number of schemes that have not considered it, or do not know, has dropped from 54% in 2021 to 34% in 2022.

This aspect will only continue to need more consideration in light of the additional requirements for pension provider Independent Governance Committees (IGCs) to have to consider and report on this matter with effect from April 2021.

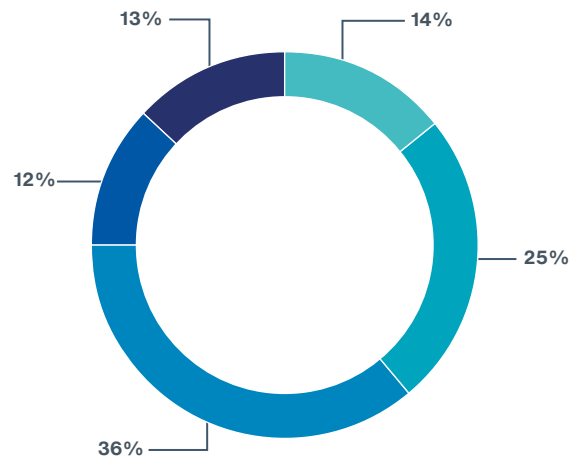
Therefore, Aon expect that the number of employers that decide to consider ESG within their pension scheme will continue to rise with a desire to align this with their wider Corporate Social Responsibility (CSR) policy.



- Currently in place
- Being considered
- Will consider in the next 12 months
- Not being considered
- Unknown

Q97. How important is it for your pension provider default fund Environmental, Social and Governance (ESG) strategy to align to your Corporate, Social, Responsibility (CSR) policy?

As seen in last year's survey around 25% of respondents either do not feel that it is important to align the pension scheme ESG strategy with their CSR policy or don't actually have a CSR policy in place. However, of the remaining 75%, we can see an increase in the respondents that consider it to be extremely important (2022 – 14%, 2021 – 6%) or very important (2022 – 25%, 2021 – 17%). This supports Aon's view that this will be a major consideration for many employers over the coming years.



- Extremely important
- Very important
- Important
- Not important
- We don't have a CSR policy in place

Workplace Pensions

Aon's View

Quality data and information underpins better pension decision making. Aside from the obvious legislative obligations, the 'have to' reason, why do businesses and organisations offer a pension scheme to their people? The traditional reasons are, but not limited to; attract and retain people, enable succession planning/people management, match or beat what our competitors do and provide people with a financial future after work-lives finish.

We identified in the key findings a gap emerging between corporate pension risk management and employee pension engagement. The Pensions Regulator (tPR) often refers to 'providing members with good retirement outcomes.' To achieve this, we need better pension decisions by all stakeholders; employees, employers, pension providers and the adviser community. Better decisions can only be made if one has access to quality information and data.

Gender pension gap – the factors that lead to women having less available in retirement, covering both fund values and pension income, have been well documented for many years. Improving research, data and analytics is providing better information on just how significant the gap might be. Women could face a £185,000 gap in retirement, as they are on track to save £100,000 less than men, while needing £85,000 more in retirement⁴. Pension scheme data and analytics enable employers to understand their own gender pension gap which can, in turn, lead to specific information and engagement activities targeting relevant cohorts which will, hopefully, improve decision making, drive engagement and deliver improved retirement outcomes.

Focussing on the 'S' in ESG – directly linked with the issue of gender and pension provision, employers must focus on the 'Social' aspect of their pension provision. ESG is becoming, some might say 'has become', embedded within the investment framework of pension default funds. However, Aon believes there are wider considerations for ESG in terms of pension scheme design and delivery. Many employers have robust CSR strategies, have DEI at the forefront of employee engagement, and as such it is only fitting that pension provision, and wider benefits, dovetail and support wider corporate objectives in these areas. Certainly, we know UK Government is keen that pension funds step up their involvement in infrastructure projects/ climate finance, support 'green' initiatives, help drive social improvements (housing for example) so we anticipate many employers will want to investigate further into the actions and activities their own pension scheme is undertaking to put the 'S' into ESG.

Value for Money – we know that scheme charges, typically expressed as an Annual Management Charge (AMC) percentage on assets, has been the key factor in determining whether or not an employer changes pension provider. This year's survey is no different with charges being the top reason given by respondents as to why they would change pension scheme. However, there is momentum, by way of a formal consultation, on driving for Value for Money (VfM). Will we reach consensus on what is VfM in pensions? Employers will no doubt have their own views as will their employees, as will pension companies and the adviser community, but as a collective we should all start thinking and shaping what we think should represent VfM. Robust governance, open dialogue with scheme participants and greater use of data and analytics will put us all in a position to make better pension decisions throughout one's career which, in turn, should produce better retirement outcomes or, to put it another way, a financially stable and secure life after work.

4. (Source: Scottish Widows Women and Retirement Report 2021)

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Conclusion



Conclusion



Colin Barnes
Head of Advisory and Specialities

The world continues to be a volatile place, and at Aon we don't see that changing in the coming years. Regardless of whether the volatility is man-made or natural, the future is likely to present another pandemic, climate change, supply chain disruption, growing cyber threats and increases in the health and wealth gap. The way employers respond to these challenges, be that proactive or reactive, will go a long way to determine how successful they continue to be. Success will be measured by how they attract and retain talent, grow their customer base, satisfy shareholders and stakeholders and how they are perceived by the communities they serve and in which they operate.

In addition to macro level volatility, we are also witnessing interconnected societal change, that if not considered as part of an employer's strategic thinking, can have as equally a negative impact on business performance and results.

The aging population of the UK is a case in point. In 25 years' time there will be an additional 8.6 million people over the age of 65, taking this population to 20.4 million which represents 26% of the population. In 2016 this number was 11.8 million representing 18% of the population, and 25 years before this the number was 9.1 million and 15.8%⁵. At the same time, fertility rates have reduced and the age at which people choose to start their families has also increased.

This means there will be less labour of working age available in the UK workforce. The labour available may have to work longer if they have not made adequate provision for their retirement and we are already seeing six generations of workforce in single organisations. With less workforce available, the choice will be with the talent as to where they choose to work, why they choose to work there and when they want to work.

An employer's Employee Value Proposition (EVP) has to be strategically planned and agile to be able to meet these challenges. 95% of respondents to the 2022 Benefits and Trends Survey have made changes or are planning to make changes to their benefits to cater for DEI and ESG priorities. Despite

this high number, 42% of respondents do not feel they are meeting the needs of their employees and only 13% feel their communication is very effective. Using technology and modern methods of employee listening and engagement are the most popular ways of dealing with this challenge.

Whilst people are living longer, they are living less healthy lives and since the onset of the pandemic, employers have recognised the importance of their role regarding the health and wellbeing of their staff, with 95% of respondents now agreeing or strongly agreeing with this. Acknowledging the role an employer plays and having an effective strategy, and using data to steer it with C-suite buy-in does however, seem to be a continuing challenge with the year-on-year changes on these topics being low.

Having a resilient workforce will create better business results than a wellbeing strategy in isolation. In order to establish resilience within your workforce however, the building blocks are similar. Data has to be used to shape and inform strategy. Communication has to be effective, modern and engaging as well as delivered regularly from business leaders. We would also strongly advocate keeping a watchful eye on the markets that supply health and wellbeing insurance and services. New entrants, new value-added features and well-timed procurement exercises can yield welcome savings and additions to the toolkit.

We mentioned the aging population earlier, and the impact this could have on an individual's ability to retire at the time they want to. Our findings this year in the pension world show a strong commitment to the governance of the provision of the arrangement with 71% operating formal governance arrangements. Equally encouragingly, 89% of respondents indicated they have reviewed the performance of their respective default option. We expect there to be continued review of pension investment in the future to take account of incorporation of ethical funds.

In the introduction to the results of this survey we mentioned this rise of the three-letter acronym, and this seems an appropriate theme to close on. Volatility and societal change will alter both the shape and the demands of tomorrow's workforce. DEI, ESG and CSR are partial consequences of societal change. The Most Valuable Player (MVP) to address these issues could well be a strategic Employee Value Proposition (EVP).

5. (Source: ONS)



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About

Aon plc (NYSE: AON) exists to shape decisions for the better—to protect and enrich the lives of people around the world. Our colleagues provide our clients in over 120 countries with advice and solutions that give them the clarity and confidence to make better decisions to protect and grow their business.

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