

Improving fringe benefit schemes for low earners

This work is part of JRF's wider programme of research, policy and solutions development, exploring measures to improve the quality of work, support productivity improvements in low-wage sectors, and help solve poverty in the UK. It shows that employer's fringe benefits can give vital support to low earners, but many employers need to maximise their value.

Louise Woodruff, Policy and Research Manager

Key message

Employers' fringe benefits can support low earners struggling to stay afloat, in particular schemes that help to mitigate living costs. But despite rapid expansion of the employee benefits market, many employers are failing to maximise their value for low earners.

This is bad for businesses, who fail to reap the rewards of improved employee engagement, productivity and performance. It's also bad for employees – fringe benefits can offer significant value for low earners, particularly in low-income households.

Recommendations

- This study identifies a 'framework of good practice' – comprised of seven important steps – for employers looking to maximise the value of fringe benefits for low earners, and help right the wrong of in-work poverty.
- Alongside this framework, there is a need for new resources, support and incentives for employers to embed the framework for good practice within their business and improve the quality of low-paid roles.

The research

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Background

With a growth of employment rates alongside record-high levels of in-work poverty, attention has shifted to focus on the quality of work and how that might be improved.

The Work Foundation has worked in partnership with businesses drawn from the retail and social care sectors to explore how to maximise the value of fringe benefits – an important but under-researched component of good work. The project seeks to offer additional insight to businesses committed to improving the quality of jobs and to catalyse industry-wide action on this issue.

Key points

- While improving wages will always be central to tackling in-work poverty, employee benefits can offer significant value for low earners struggling to stay afloat, particularly those in low-income households, and businesses looking to demonstrate leadership in alleviating in-work poverty.
- There exists a broad spectrum of benefits and we argue that some of these would be better considered 'fundamental' rather than 'fringe' benefits - integral to a good work package.
- We find low earners attach greater value to those benefits that mitigate their highest living costs such as food and leisure, travel, childcare, housing and utilities, as well as those that provide financial education and support.
- Employers and employees face a number of barriers that serve to undermine the take-up of benefits and the value they offer. This means there is no 'silver bullet' that will dramatically shift the reach or impact of employee benefits for low earners. Rather, our research points to seven steps that serve to maximise value.

Fringe benefits: definition and types

The market for employee benefits has changed dramatically over the past decade, where a growing recognition of their importance in attracting talent, employee engagement and retention has driven growth and a broadening of the types of benefits offered by businesses.

“We operate in a competitive market. We see benefits as a driver to recruiting talent. We look at what improvements we can make to improve employee engagement and enrich the lives of our workforce.”

Employer

While workers are entitled to a range of workplace benefits, some employers go beyond these statutory minimums to offer a range of fringe benefits for their workers. Our light-touch assessment of the market identified in excess of 50 different types of employee benefits, spread across a broad spectrum ranging from those that offer increased job security, flexibility or discounts on household essentials, to those that are more obviously lifestyle perks, such as sporting or recreational facilities.

This research argues that some of these benefits would be better considered 'fundamental' rather than 'fringe' benefits. They are integral to good work, part of the minimum level of standards employers should be expected to offer their workers, and often delivered in response to regulatory requirements, for example, providing pensions, insurance, uniform, equipment, and training required for the role.

We also find a range of fringe benefits that provide 'enhanced support' to low earners and these offer considerable potential for businesses to demonstrate leadership in alleviating in-work poverty.

Understanding the value of employee benefits for low earners

Despite a broad array of employee benefits available in the market, we find a more limited number of benefits that low earners may in fact prefer and use. The research suggests that low earners attach greater value to those benefits that mitigate their highest living costs. This research has sought to overlay different types of fringe benefits with the Minimum Income Standard (MIS) to identify those that have the potential to help to bring down the cost of living for low earners.

Housing and utilities

There are a range of fringe benefits that can help to mitigate the cost of housing and utilities, including rental deposit schemes, accommodation and rent subsidies, energy switching schemes, and technology and telecommunications loans or subsidies.

Case study: rental deposit loans, Starbucks

In 2016 the global coffee retailer, Starbucks, launched 'Home Sweet Loans', a rental deposit scheme which provides an interest-free loan up to the value of one month's salary, that employees pay back over a period of 12 months, to cover the cost of a deposit when moving into rented accommodation.

Childcare

For those households with children, the cost of childcare can account for a substantial share of their outgoings. Employers can offer a range of benefits that can help to mitigate these costs, including flexible working, paid time-off for caring responsibilities, subsidised childcare, or by aiding access to the Government's new Tax-Free Childcare scheme.

Travel

Employers have long-since looked to help mitigate travel to work costs for employees and we have seen an increased range of schemes, including transport season ticket loans, travel expenses, company car/van, Cycle to Work/bike loans, and work bus/public transport subsidies.

"I have used the Cycle to Work scheme twice and encouraged and helped others to use it. You pick a bike from Halfords and ask for vouchers which employer provides and then takes it directly out of your wages – a reasonable sum every month."

Social care employee

Food and leisure

Over the past decade we have seen substantial growth in the provision of retail and leisure benefits amongst employers, often as part of flexible benefits packages or aligned to the goods and services sold by the business. Such benefits include free or subsidised meals and drinks, shopping and lifestyle, staff discounts, vouchers, and sporting and recreational facilities.

"The most valuable benefits are discounts offered through the benefits website e.g. 5% off Sainsbury's. I have saved over £1,000 over five years by buying on the website."

Retail employee

"The discounts in-store are good – you get money off food, furniture, electrical goods. You also get discounts on products from other stores e.g. cheap cinema tickets, offers in local shops etc."

Retail employee

Financial education and support

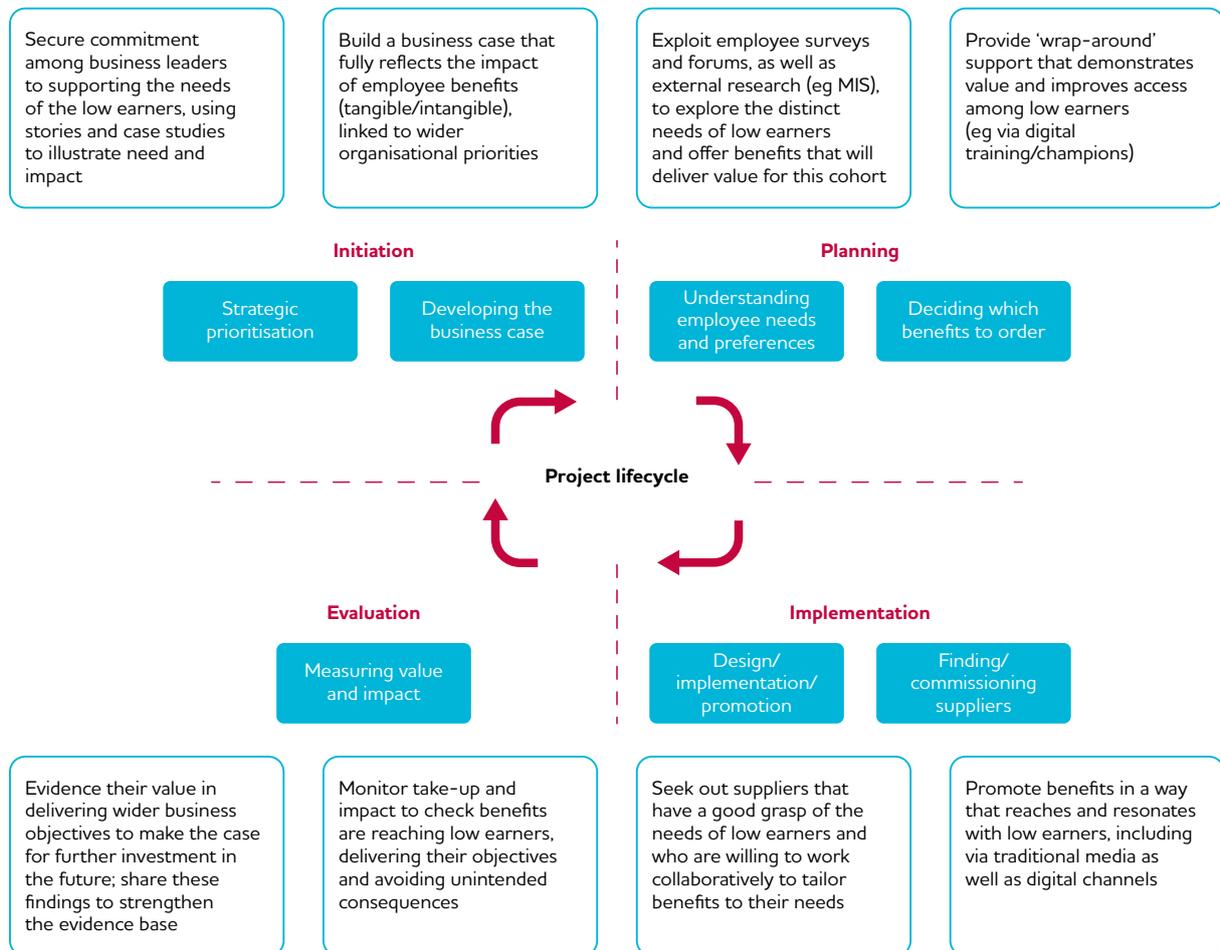
There is growing interest in employee benefits that support health and wellbeing (including financial wellbeing) of the workforce. Employers can play a central role in promoting financial education that help low earners better manage their money. This includes providing access to low cost, low risk financial products, and offering crisis loans to employees that can be repaid monthly through their salaries. Those operating in some industries or local areas can also benefit from financial products offered through Credit Unions.

Maximising value for low earners

We find both employers and employees face a number of barriers that serve to undermine the take-up of benefits and the value they deliver for low earners. While some shifts in the market have the potential to improve the value of employee benefits for low earners, others, particularly the move towards co-funding of employee benefits, growing interest in 'lifestyle' benefits, and the increased use of digital channels, risk creating a market disconnected from the needs of low earners.

We identify a 'framework of good practice' for employers looking to maximise the value of fringe benefits for low earners, comprised of seven steps.

Figure 1: overview framework for good practice



Case study: striking a balance between cost and value, Crossroads Care, Kent

Crossroads takes a grassroots approach to understanding the needs and circumstances of its staff. They use one-to-one meetings, as well as views expressed in the annual staff survey, to determine which benefits would be of greatest value, balancing this insight against the cost of implementing these schemes.

Case study: understanding the distinct needs of your workforce, John Lewis Partnership

John Lewis Partnership offers a broad range of benefits to its 'partners' (employees), but is continually seeking to improve and ensure it is 'fit for the future'.

When reviewing its portfolio of employee benefits, John Lewis uses various different approaches, including data analysis, focus groups, consultation with the organisation's democratic bodies, and benchmarking, in order to establish a broad picture of where the opportunities lie.

Case study: tackling digital exclusion while promoting employee engagement, JRF

A big challenge for JRF's Employee Benefits team was a lack of digital access and digital skills amongst the workforce.

In order to address these issues, JRF began working with Reward Gateway to offer 'Smart Tech', a benefit that enables staff to purchase a range of computers, laptops and tablets. This is supported by digital training opportunities delivered by digital champions or other on or offline resources.

Embedding the framework of good practice

The research suggests that to embed these actions within business practices, there is a need for new resources that provide insight to support each stage of the decision pathway, and other forms of support including business advice services, mentoring, and professional membership organisations or networks that enable businesses to connect with others in their eco-system.

Finally, the research highlights the need to increase job quality in low-paid roles by establishing a new baseline for the minimum level of benefits employers are expected to offer low earners. This should be supported by new incentives that recognise and reward businesses that offer 'good work'.

Conclusion

Employee benefits are an increasingly central part of businesses' 'total reward package', but many businesses are failing to maximise the value of their benefits package for low earners and this is bad for businesses. At a time when employers are looking to promote employee engagement with their benefits package, the 'framework of good practice' developed through this work is crucial. Not only will these steps maximise the return on investment in benefits packages, but they support a healthier, happier, more engaged and productive workforce, and offer the potential for employers to go beyond minimum standards and statutory requirements and demonstrate leadership in alleviating in-work poverty.

About the project

This study was undertaken by Heather Carey, Helen Sheldon and Monica Andriescu at The Work Foundation.

The research entailed a rapid evidence assessment and interviews with businesses, employees, and benefit providers, undertaken between October 2017 and January 2018. The project took a sector-driven approach with a primary focus on the retail and social care sectors due to the incidence of low pay and high rates of in-work poverty

The research has benefitted immeasurably from the support of an Employer Forum, comprised of businesses drawn from across our target sectors that demonstrate leadership on this issue and share a deep-rooted commitment to supporting their workforce.

For further information

The full report, **Improving fringe benefit schemes for low earners**, is published by the Joseph Rowntree Foundation. It is available as a free PDF at www.jrf.org.uk

Read more summaries at www.jrf.org.uk
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