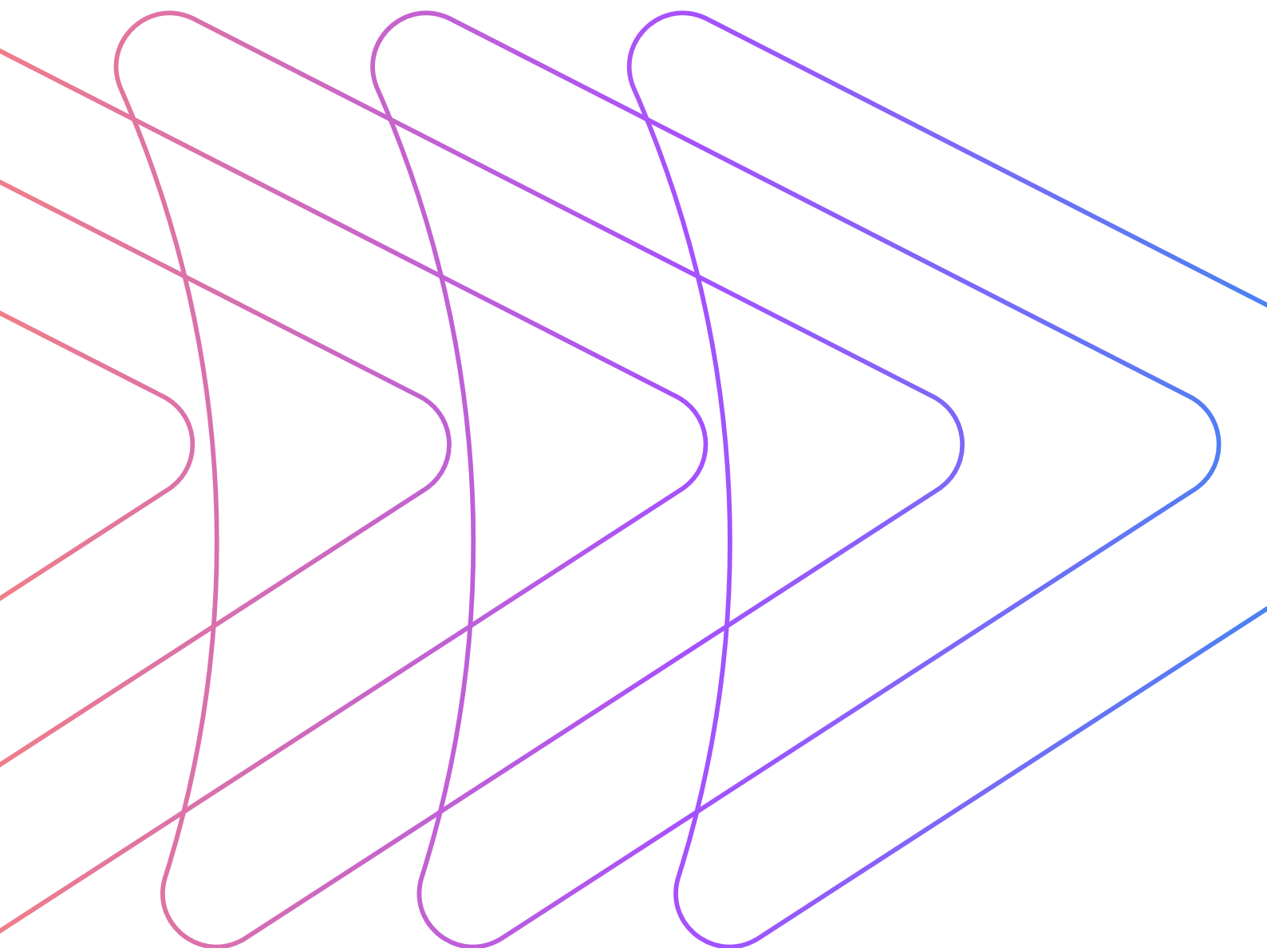


WAVE 2 – 2023

National Employee Benefits Index



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Evolving attitudes: benefits give gravitas to managers

Persistent inflation, mortgage and rental stress are putting significant pressure on employees, and this tension is ultimately affecting their productivity. However, innovative benefits such as flexible work schedules continue to emerge as powerful tools for job satisfaction.

It's not just employees who are struggling with a dim economic either, with businesses fighting their own battle against dampened demand for a range of products and services.¹ In a market where over 50 percent of businesses are preparing for a recession², building employee engagement and retention strategies has become even more critical.

Benefits are a popular tool to support employees, gain loyalty and improve productivity. In times of extreme financial stress, businesses must make the right benefit choices to yield these returns.

Key insights

- + Employees like flexibility; businesses don't: Employees claim that the option to work flexibly or remotely engenders the most loyalty to their company. Yet, since our initial study, there's been a 16 percent drop in the number of businesses offering this benefit.
- + Hybrid work continues to bungle along: Public transport subsidies are up 12 percent, but there has been a 16 percent drop in perceived loyalty for corporate social gatherings as a benefit.
- + Nearly all employees are stressed: Financial pressure continues to top our list of stressors for Aussie employees, with 52 percent of the workforce affected — up 4 percent in the six month reporting period.
- + Benefits work, but less businesses are offering them: Despite evidence of the positive impact of benefits on employee wellbeing and engagement, fewer employers are offering benefits nationally, with 70 percent of benefits categories decreasing.
- + The businesses that do offer benefits are agile: It looks like employers are attempting to tailor benefits that really resonate with their employees. There's been a 12 percent increase in financial and retirement planning support, and a 4 percent rise in insurance products as a benefit.

¹<https://www.rba.gov.au/publications/fsr/2023/oct/household-business-finances-in-australia.html#2.2>

²<https://www.myob.com/au/blog/recession-fears-grow-myob-reports/>



Previously, there was no continuous national review of employee benefits. In April 2023, Flare released the first ever National Employee Benefits Index, a comprehensive exploration of how working Aussies feel about the economic environment, their employers, and how compensation and benefits influence their engagement.

Drawing on the voices of over 3,000 employed Australians from all industries, tenures and demographics, this study provided insightful perspectives on what really matters to today's workforce.

The first wave of the Index revealed that less than half of Australian employees felt valued by their managers, while 30 percent admitted that they did not have adequate opportunities to use their talents at work.

It also foretold an increasingly burnt-out labour force.

Six months after our initial investigation, we conducted a second round of research, monitoring shifts and tracking changes over time.

The second wave of the Index, completed in August 2023, expands on the initial employee insights. It uncovers new trend based data around the ways that employee benefits are shaping workplace attitudes, resilience, and productivity. Notably, it shows that employee benefits can offset dissatisfaction by up to 25 percent.

This whitepaper extends the initial Wave 1 insights across time, illustrating how employee engagement, stress, work satisfaction, and the impact of benefits has evolved through 2023. It also investigates the influence of macroeconomic factors such as inflation on workplace morale, and what appears to be the galvanising effect of benefits in making employees more productive and resilient.



Summary of Wave 1 results

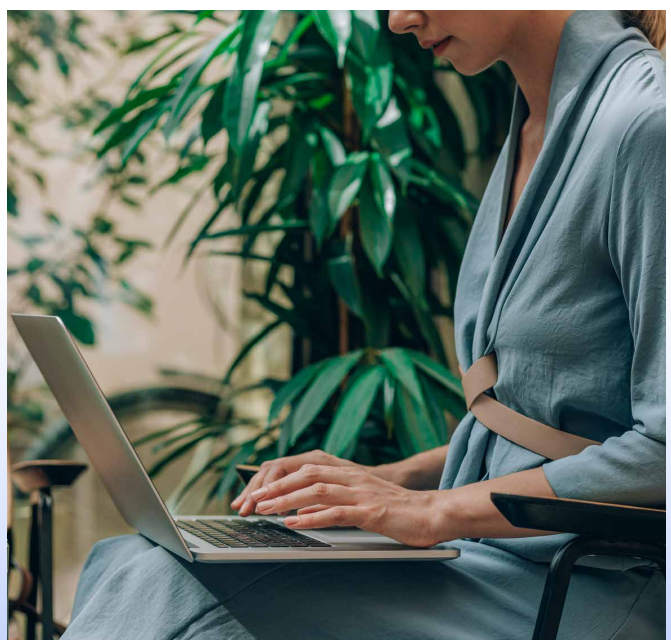
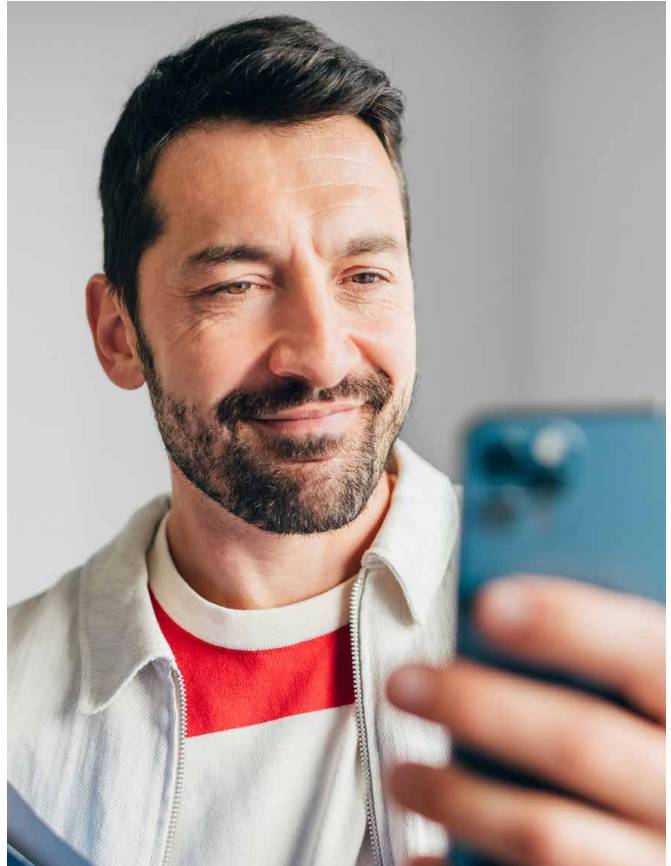
Our first set of results from the National Employee Benefits Index revealed a range of interesting insights. 60 percent of employees were happy with their paychecks. However, half were stressed about making ends meet, especially with the rising cost of living and ballooning interest rates.

At the time, about one third of employees were thinking about leaving their employer. However, those who received some type of benefits were half as likely to consider leaving, which tells us that the right benefits can play a crucial role in keeping staff around.

Common (and effective) employee benefits include things like FBT-exempt mobile phones, flexible and remote work options, mental health and wellness support, grocery and fuel discounts, and a range of other lifestyle perks.

As of April 2023, inflation was up by 6.9 percent, but companies weren't raising salaries to match. Instead, employers were offering benefits as a way to "boost" pay without actually increasing salaries. This appeared to be working in terms of keeping employees engaged and satisfied.

Now, six months on, our second wave of data questions whether benefits continue to contribute to a resilient and productive workforce, even in a downturn.



Paycheck perspectives: How satisfied are employees with their earnings?



With a further 0.5 percent increase to the cash rate since April 2023³ triggering higher interest repayments, and inflation up 6 percent⁴ in the June quarter, Aussie employees participating in the Benefits Index were again asked to consider how satisfied they were with their earnings.

In the six months following the initial study, one in three employees continued to express dissatisfaction with their pay.

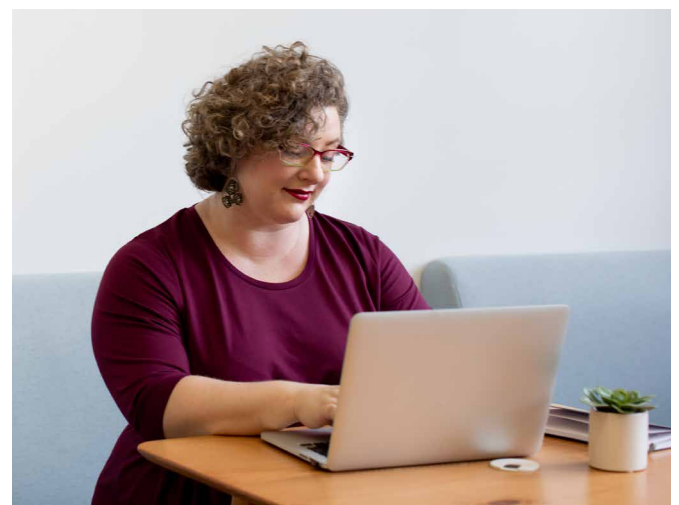
Benefits and employee mobility

Job mobility remains at its highest rate since 2012, with a peak of 11.2 percent in 2023⁵ among 25-44 year olds. Nationally, 9.5% of the workforce changed jobs⁶. The latest data also reflects a drop in the retrenchment rate, with 1.5 percent in the year to February 2022, the lowest annual rate recorded in Australia.

This maps to data captured in the Index, with 27 percent of employees thinking about leaving their employer, up 5 percent since our last reporting period.

Employees with benefits, however, were significantly less likely to want to leave their current job. In fact, they were far less likely across all measurement groups:

- + **36 percent** more likely to disagree that they think about leaving their employer
- + **76 percent** less likely to hold a neutral position
- + **42 percent** less likely to agree that they want to leave.



	Round 1	Round 2
Strongly disagree	22%	27%
Disagree	23%	41%
Neither disagree nor agree	37%	9%
Agree	-41%	-38%
Strongly agree	-63%	-52%
Net: Top 2 Box (Agree)	-48%	-42%
Net: Bottom 2 Box (Disagree)	23%	36%

³ <https://www.rba.gov.au/statistics/cash-rate/>

⁴ <https://www.abs.gov.au/statistics/economy/price-indexes-and-inflation/consumer-price-index-australia/latest-release#:~:text=Annual%20CPI%20inflation%20was%206.0,in%20the%20December%202022%20quarter>

⁵ <https://www.abs.gov.au/media-centre/media-releases/job-mobility-still-10-year-high>

⁶ <https://www.abs.gov.au/statistics/labour/jobs/job-mobility/latest-release>



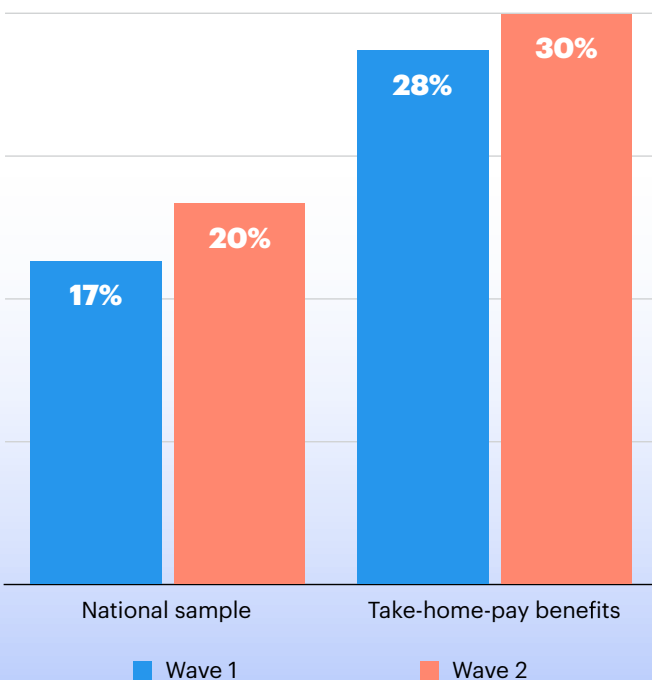
Benefits and employee engagement

In a period of business uncertainty, businesses look to existing employees for increased productivity. However, the post-Covid impacts of a tight labour market, supply issues, and role expansion have created a new environment in which businesses have to coax more out of staff. In both waves of the Index, evidence of the positive effects of take home pay-focused benefits has been both present and consistent.

Benefits give gravitas to managers

Across the year, we are seeing that employees with take-home pay benefits are increasing their ascribed value from their managers - this has increased from 4 percent (agree to strongly agree) to 15 percent. This swing is coming from those who disagree indicating that take-home pay benefits have an increasing positive affect as they are progressively taken up by the employee base.

I feel valued at work by my supervisor/ boss (strongly agree)



Better benefits = better job alignment

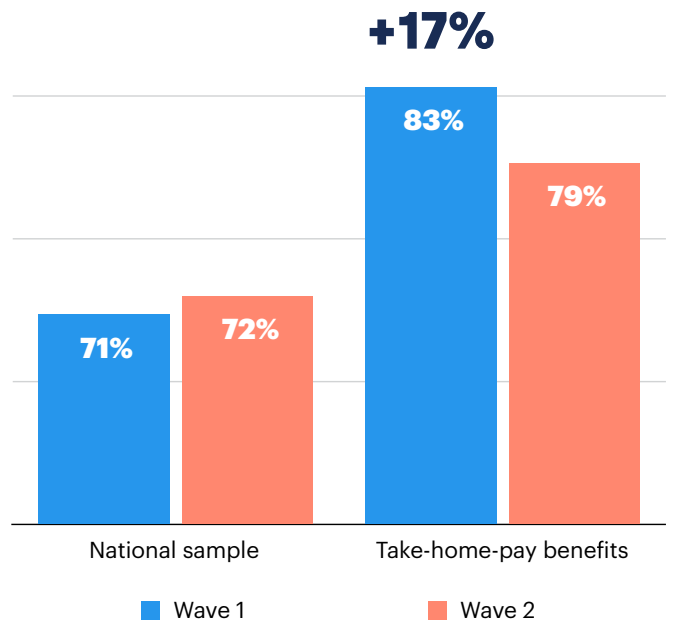
In the latest Index data employees are 14 percent more likely to agree or strongly agree that they are satisfied to apply their talents at work. They are also 22 percent less likely to disagree or strongly disagree with the statement when compared to the national average.

When compared to the first half of 2023, we are seeing a slight reversal of the positivity from the take-home-pay group. Positive sentiment of employee engagement has dropped from 83 to 79 percent in the take home pay group as compared to 71 to 70 percent in the national average. Overall however, employees with take-home-pay benefits are 14-17 percent more likely to be aligned to their work compared to the national average.

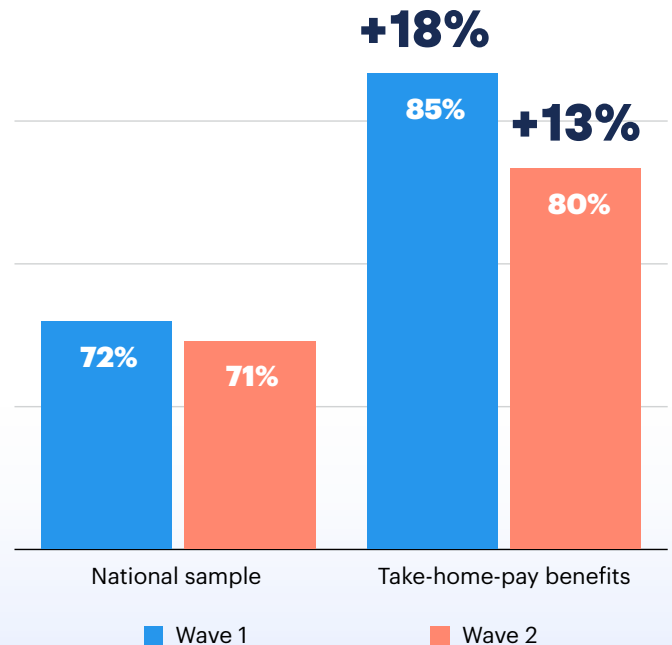
Employees with take-home pay benefits are 13 percent more likely to enjoy their responsibilities at work. They are also 65 percent less likely to not enjoy their responsibilities. This points to organisations with take-home pay benefits having a more engaged and happier organisation overall.

Looking across the reporting period, there was a noticeable drop in work enjoyment amongst the take-home pay benefits group, down 27 percent (80 from 85 percent). This drop was also seen in the national average (70 percent from 71), but was less pronounced. Overall, people who did not like their day jobs were small in both the take home pay group and national sample of 3 percent and 9 percent respectively.

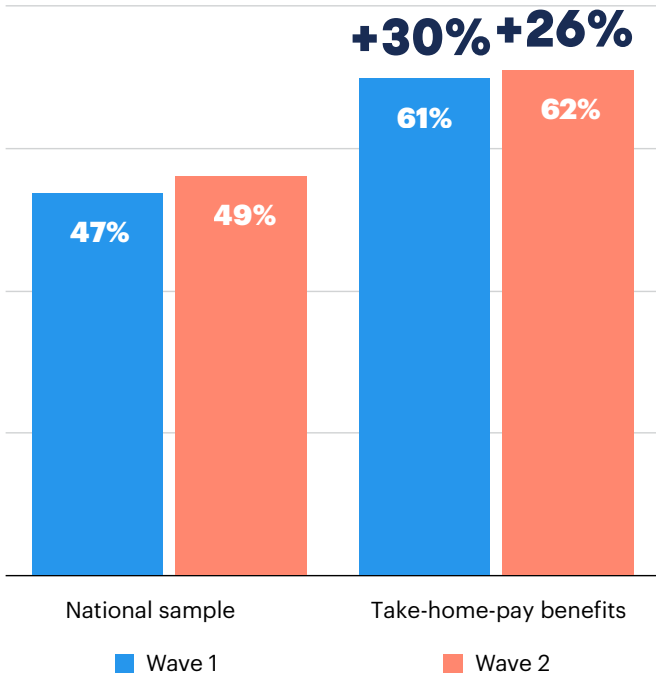
I am satisfied that I have opportunities to apply my talents and expertise at work (agree + strongly agree)



I enjoy my day-to-day responsibilities at work (agree + strongly agree)



**I get excited about going to work
(Agree + strongly agree)**



Interestingly, the number of people who are excited to go to work in the national sample increased from 47 percent to 49 percent in the second half of the year. This was only a minor change (2 percent). Employees with take-home pay benefits are still 24 percent more excited to go to work than their national counterparts.

Nationally, less than half of the workforce are excited to go to work (49 percent). This has slightly increased from the previous reporting period (47 percent). The growth in this segment has been equally coming from the neutral group. This shift is also being seen going downwards — there is also growth in those who are not excited to go to work.

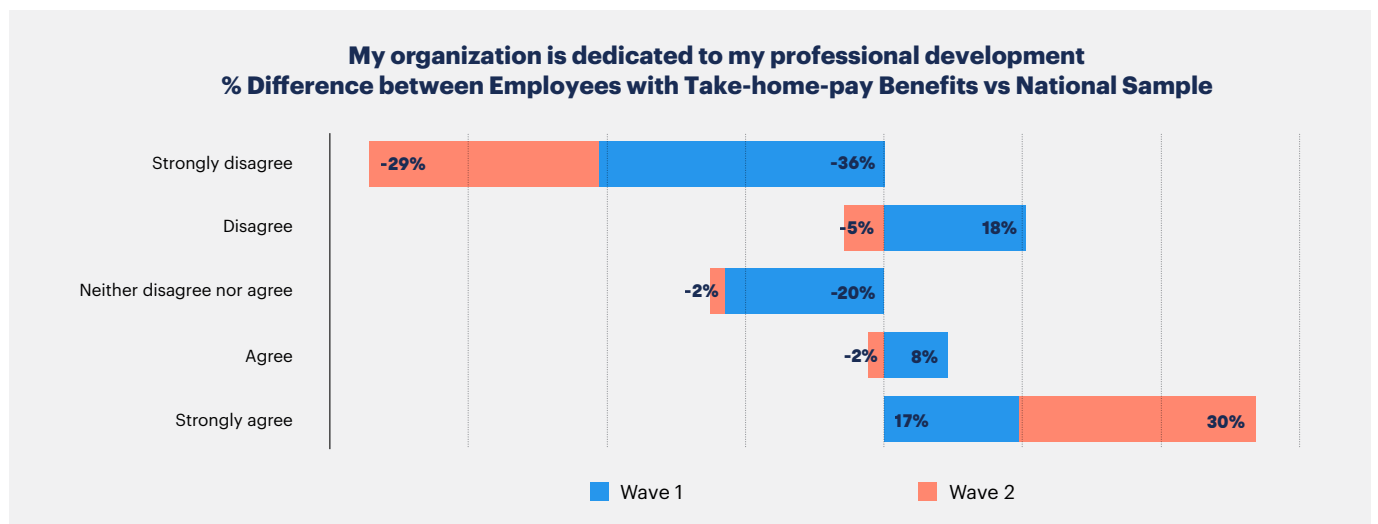
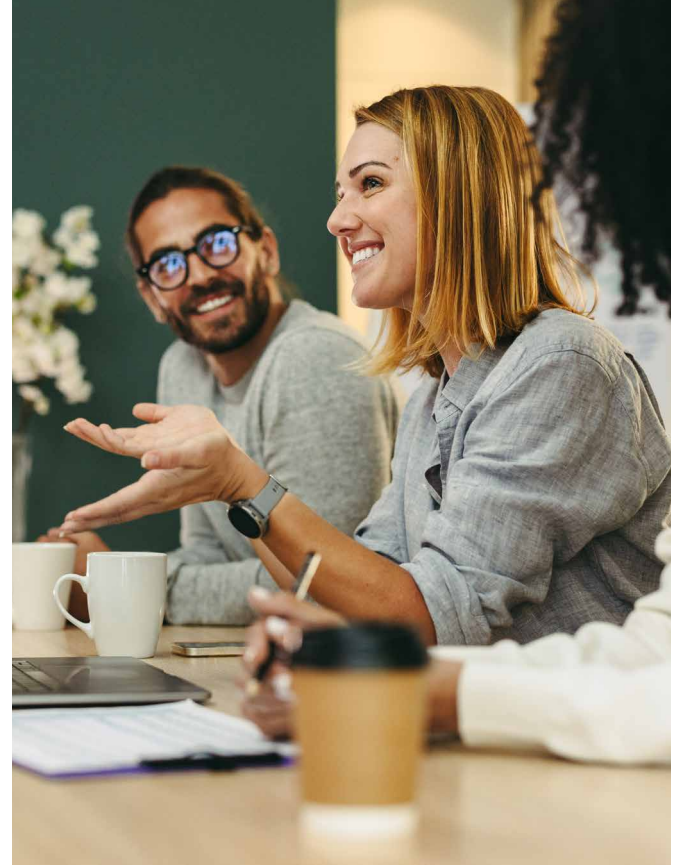


The role of professional development

Employees who receive benefits that enhance their take-home pay were 12 percent less likely to question their organisation's commitment to their professional development. This represents a sixfold increase between the first and second waves of our study. Additionally, there was an 80 percent uptick in employees who strongly agreed that their employer is committed to their career growth.

Employees with take home pay-focused benefits are overwhelmingly more aligned to organisational efforts toward professional development. Supporting this is also an 80 percent increase between reporting periods of employees strongly agreeing that their employer is dedicated to their professional development.

Could this suggest that when employees take advantage of benefits aimed at easing financial strain, they become more open to exploring other areas of development?



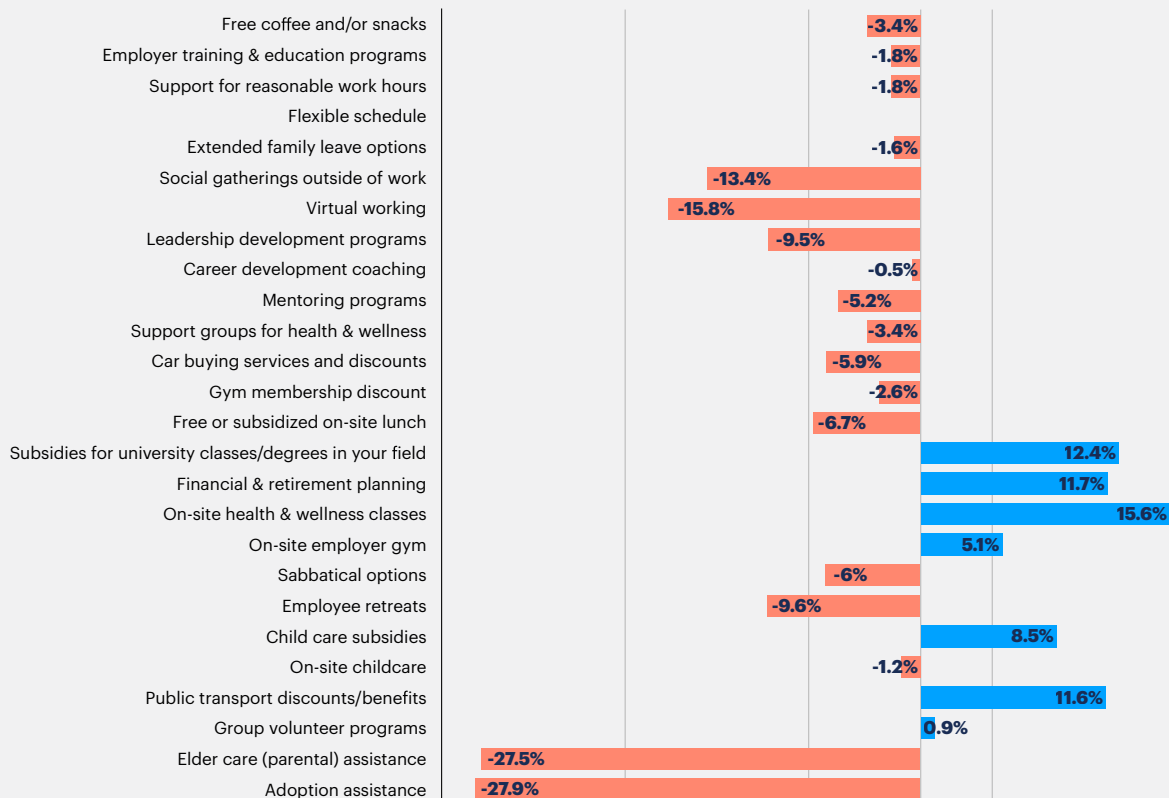
Benefits that drive employee loyalty: Wave 1 vs Wave 2

Employee benefits can take a variety of forms, from coffee and free lunches to flexible and remote work, leadership and mentoring programs, childcare services, health and wellness, financial support, and an array of retail, tech, and lifestyle perks.

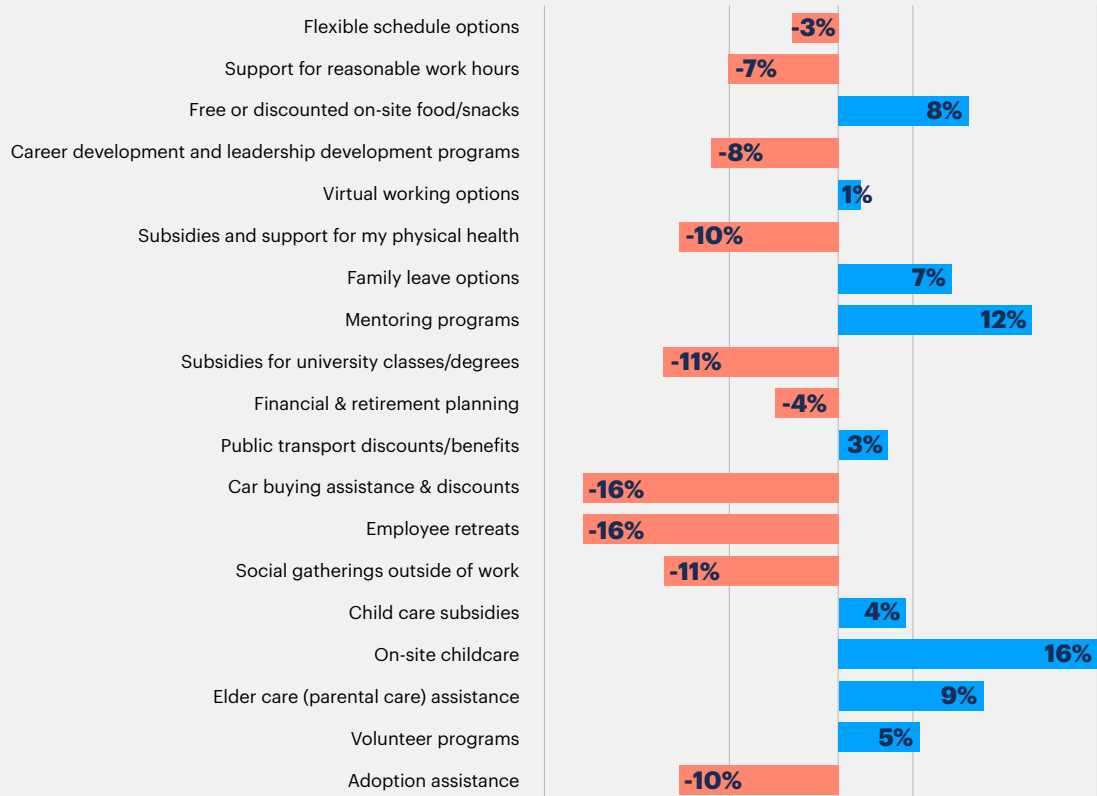
But not all benefits are created equal, according to our Index.

In the six months following Wave 1, businesses are belt-tightening their benefits. There are some notable shifts in the types of benefits offered to employees, but the headline story is that employees indicated decreases in over 70 percent of the most popular offered benefits.

**Most popular benefits offered by Employers
(National, All industries)
% change in offering Aug '23 vs Feb '23**



**Most popular benefits driving loyalty by Employees (ranked)
(National, All Industries) % change in offering Aug'23 vs Feb'23**

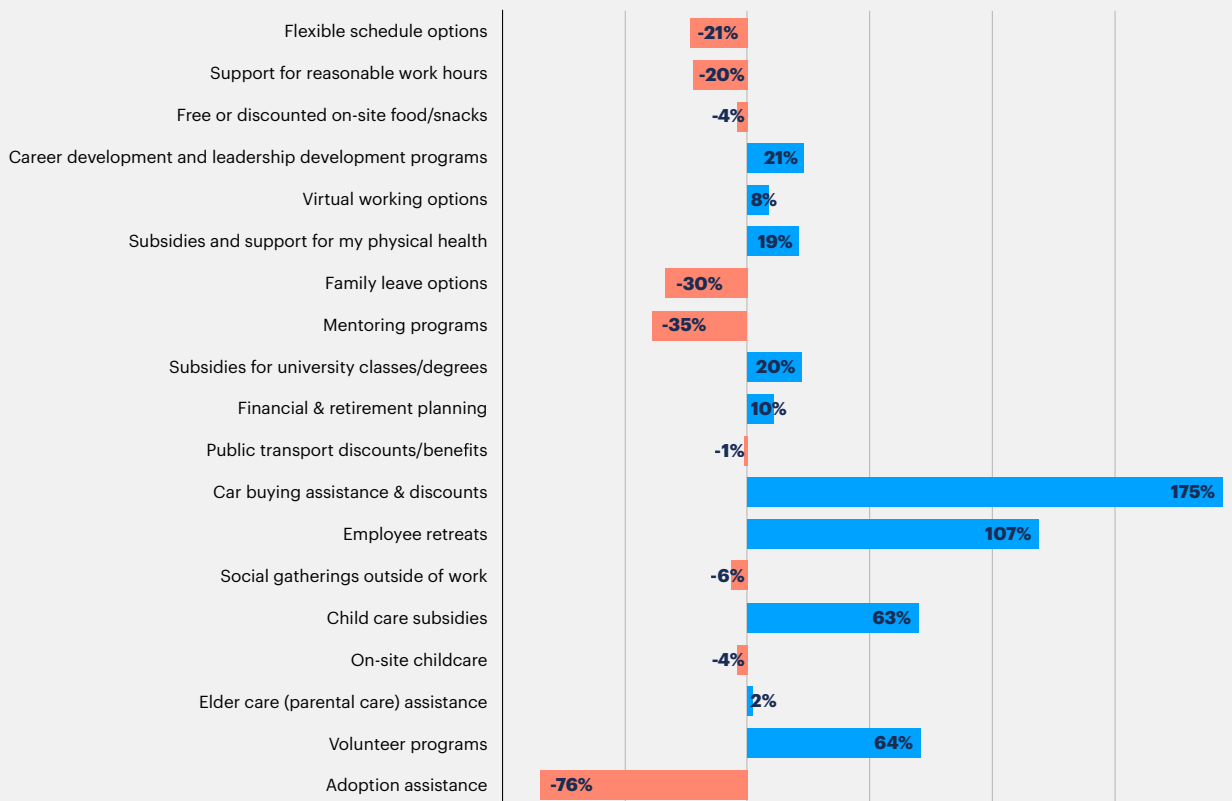


Flexible and remote working opportunities, for example, are the benefits that employees say will drive the highest loyalty. However, there's been a 16 percent decrease in companies offering this perk since our first round of research — a trend that has been evident in recent news cycles as employers increasingly enforce return-to-office policies.

In line with this, public transport subsidies are up 12 percent but there has been a 16 percent drop in perceived loyalty for corporate social gatherings as a benefit — a potential backlash against more stringent hybrid work arrangements?

Interestingly, employees with access to benefits are less sensitive to the general trend towards flexible working hours, with respondents 21 percent less likely to name this perk as a driver of loyalty. It's possible from this data to speculate that benefits allow employees to 'ask for more', making them less reliant on hybrid work as a core gratifier.

**Most popular benefits driving loyalty by Employees (ranked)
(Employees with Take-home-pay benefits compared to National Sample, Wave 2)**



Further perspectives: More key insights



There are less employers offering benefits to employees nationally, with **70 percent of benefits categories decreasing over our reporting period.**



And yet, employers are more stressed than ever when it comes to **lifestyle affordability.**



80 percent of employed Australians are moderately or highly stressed about the cost of housing. This has increased 4 percent from earlier in the year.



One in three working Aussies have moderate or high stress about childcare. Nearly half are experiencing some sort of financial stress from childcare.



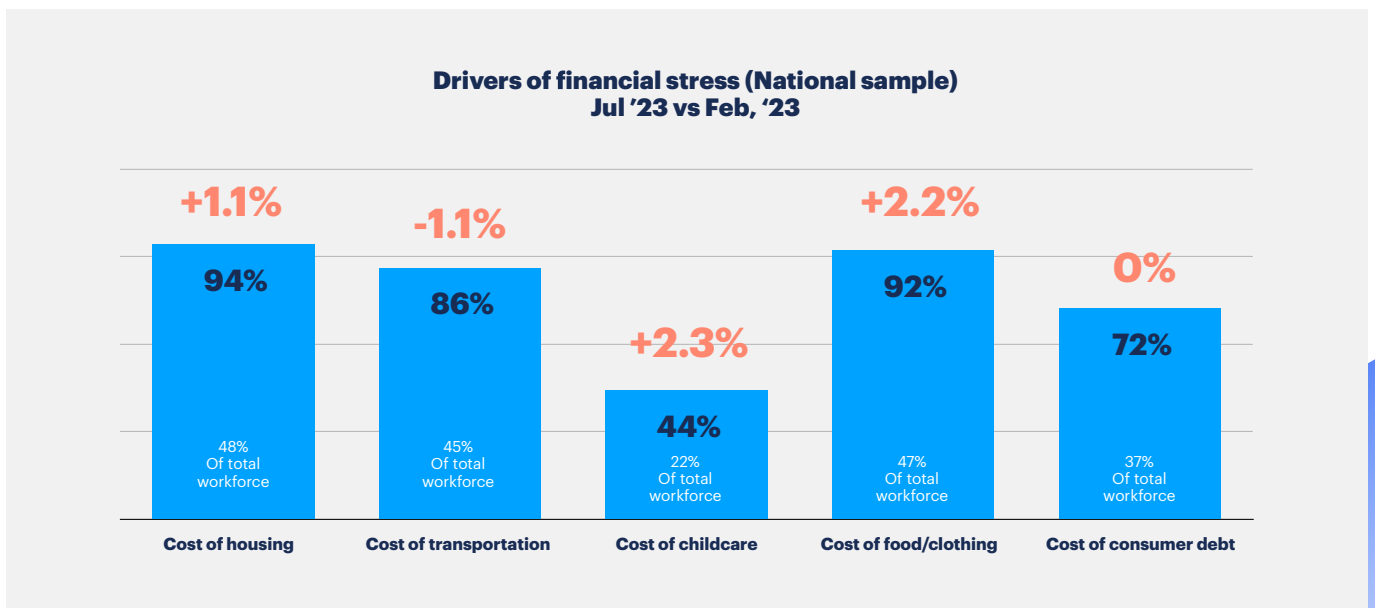
50 percent of employees are highly or moderately stressed about transport. This is up 6 percent from April 2023.

Employee stress and the role of benefits

Many households continue to face a squeeze on their budgets as high inflation and the increase in interest rates over the past 18 months have reduced available income after essential expenses and housing costs⁷. Consistent with this, consumer sentiment remains near historically low levels and financial worries top the list as the primary stressor for employed Aussies, affecting 52 percent of the workforce — a 4 percent increase during our reporting period.

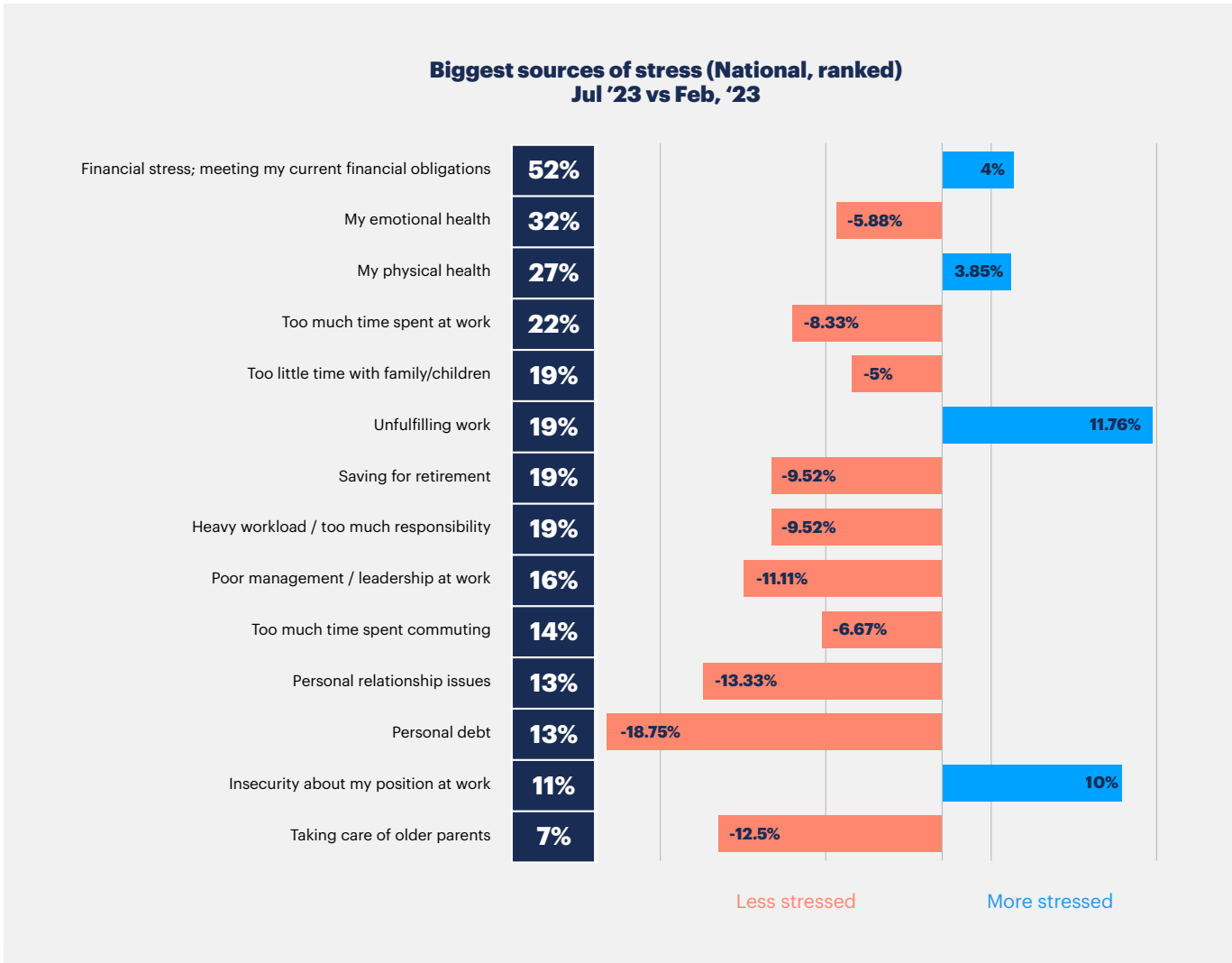
Looking ahead, financial stress may increase further as some households find it increasingly difficult to cut back further on consumption after already reducing their discretionary expenditure substantially.

Businesses should take note of these macroeconomic trends and their impact on the workforce. Today, nearly half of the employed workforce is financially stressed. With a worsening business outlook, there is risk that employees will disengage, creating a productivity stalemate for businesses when they need it most.



Interestingly, we are seeing an increase in work-related stress areas. Job insecurity has increased 10 percent, with 1 in 10 employees feeling uncertain about their role, and a 12 percent increase in employees feeling stressed because of unfulfilling work.

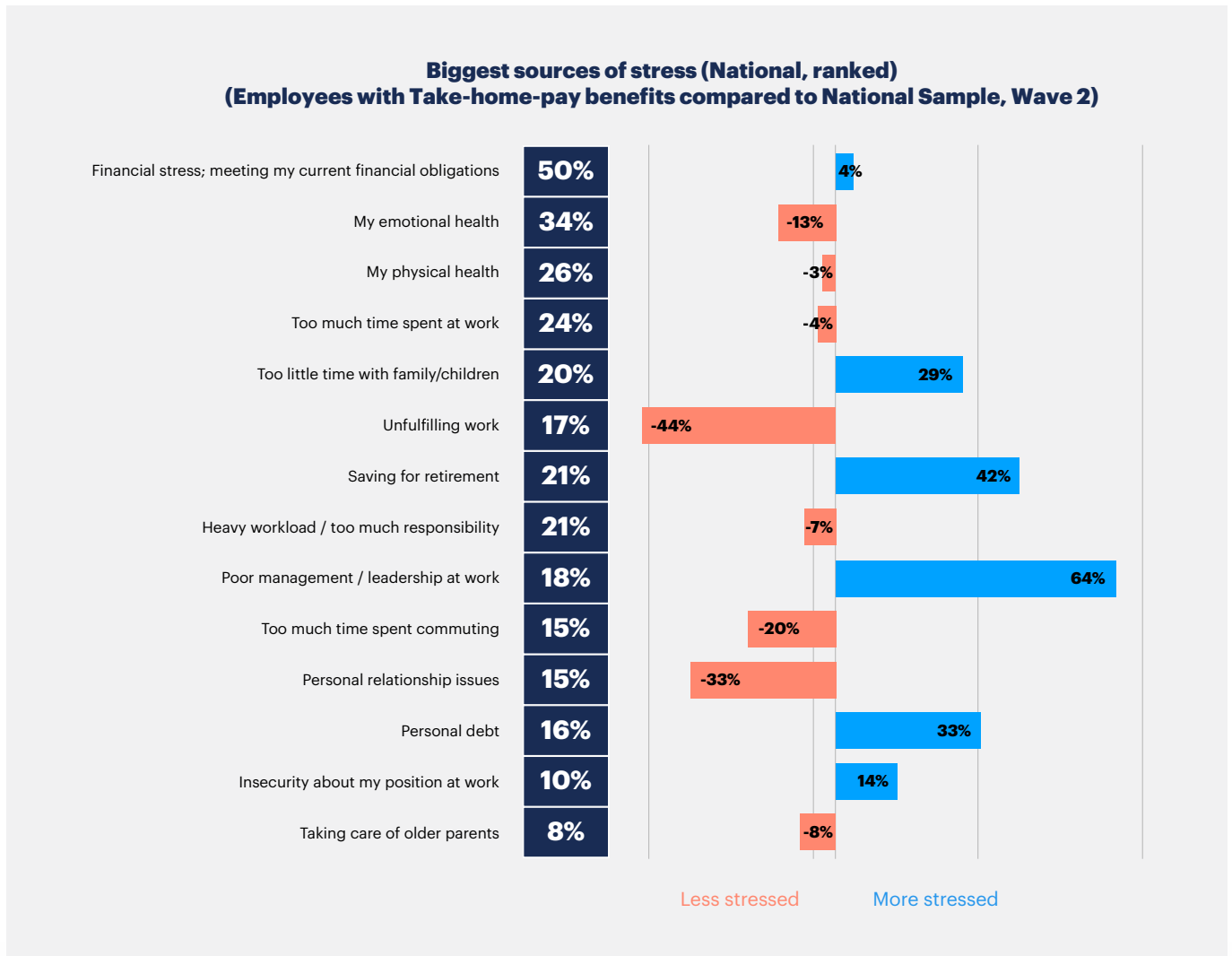
This is balanced with employees signalling that they are 'buttoning up' and increasing their tolerance for heavy workloads, poor leadership/management or too much time at work as economic prospects worsen and they focus on retaining their job.



In an apparent effort to address this stress (and hopefully the cost of living in general), employers appear to be crafting benefits packages that genuinely connect with their employees. Notably, financial and retirement planning benefits have seen a 12 percent uptick. Insurance products as a benefit are also up 4 percent, however many other pre-tax benefits, such as novated leasing and the

opportunity to purchase additional annual leave, are trending down.

Employees with access to benefits are less emotionally impacted at work overall. Our data suggests that they are also 13 percent less concerned with their emotional stress than the national average.



Employees with benefits are **44 percent less likely** to feel stressed by unfulfilling work. They also experience much higher enjoyment of their day-to-day responsibilities.



Employees with benefits are **7 percent less stressed** by heavy workloads.



Employees with benefits are **20 percent less likely** than the national average to feel stressed by their commute (evidently owing to public transport subsidies and novated leasing).

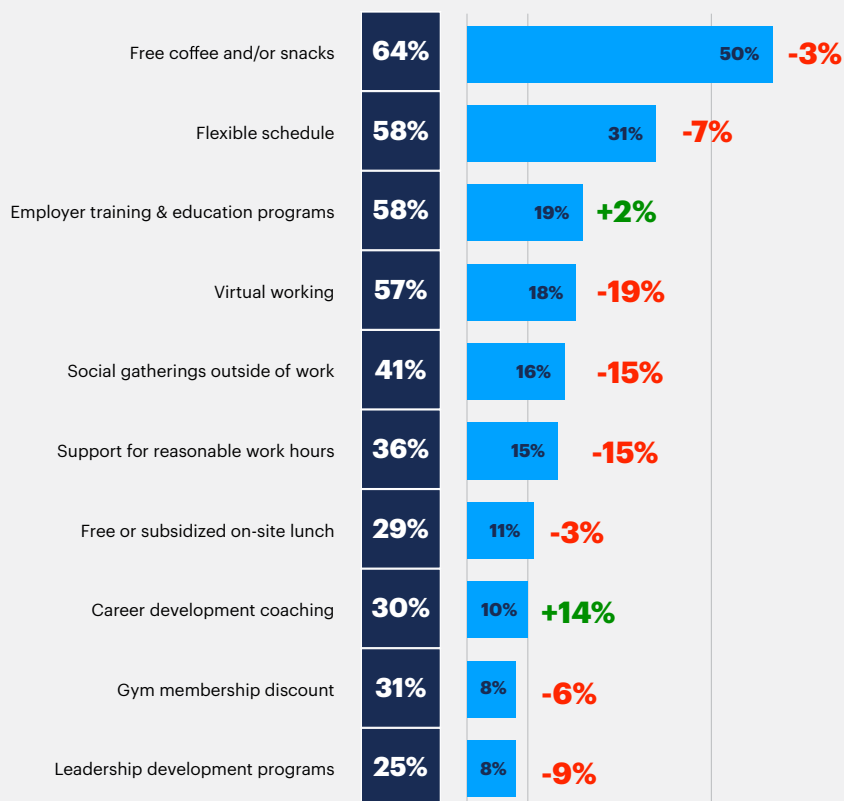


Continued benefits mismatch

Getting the right benefits on offer to employees has been shown to increase core engagement and lead to more productive behaviours. Evidence aside, businesses appear to believe that caffeine and sugary biscuits power their organisations. Employee take-up, however, is fractional, with loyalty and engagement nearing zero.

Interestingly, learning and development benefits are also mismatched, according to employees. Perhaps this low benefit uptake of training, education and career coaching is a consequence of pandemic-life schedules and in-office schedules clashing, or maybe the training offered by employers is not matched to the needs of employees.

**Top 10 most offered benefits vs Employee TakeUp
(National, All industries)
% change in offering Aug '23 vs Feb '23**



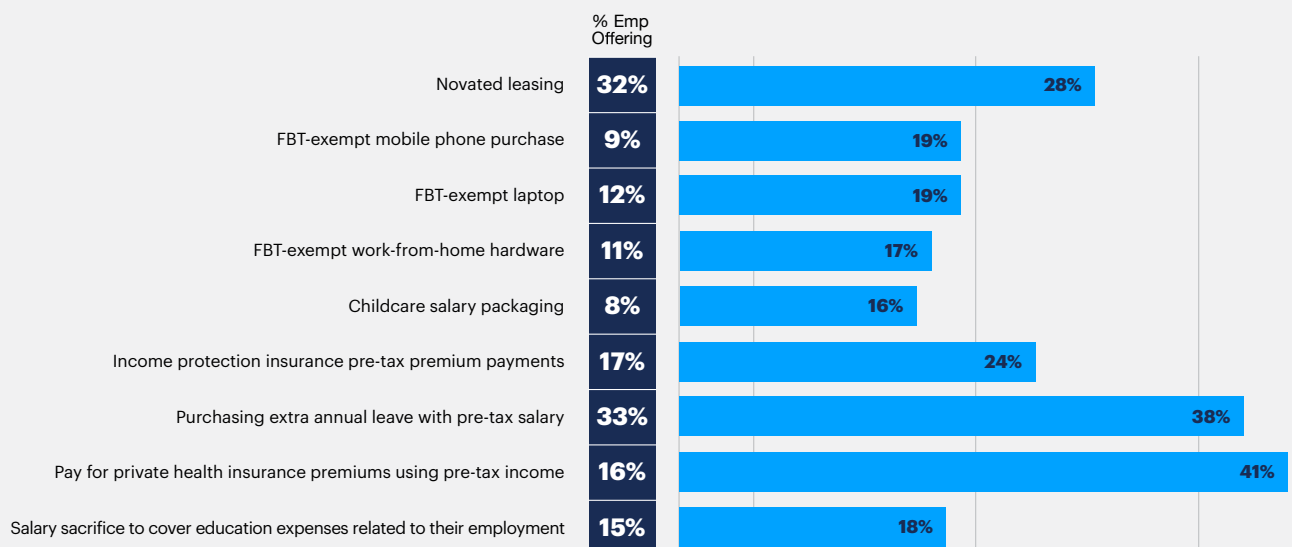
Take-home pay benefits matter more than ever

Recent and annual trend data from the Benefits Index clearly demonstrates that employees with pre and post-tax benefits that are focused on increasing take home pay are more engaged, productive, aligned to management, and less stressed. It's also clear that there's a gap in businesses that offer these financially focused benefits versus the implied demand from employees.

In fact, the gap is significant, with less than 30 percent of businesses offering pre-tax entitlements. Despite this, nearly 9 in 10 employees would take up at least one pre-tax benefit if offered. Each year approximately 1 in 5 employees are in the market for a new vehicle, 1 in 2 will purchase a new mobile phone, and any employee who earns more than \$29,000 per year⁸ can avoid the 2 percent medicare levy by purchasing the right amount of private health insurance.

Combined, these will impact nearly all of the workforce, yet businesses are missing this opportunity to deliver highly tangible and top-of-mind impacts to employees. This data shows that benefits aren't just about free coffees and one-off training sessions. Real benefits — the ones that reduce financial pressure and support work-life balance — tackle the specific stressors experienced by Aussie employees. When we get this right, benefits become more than perks; they become powerful tools for engagement and resilience.

**% employee uptake in next 12 months if offered by employer
(Pre-tax 'Take-home-pay' Benefits employee, National, All industries)**

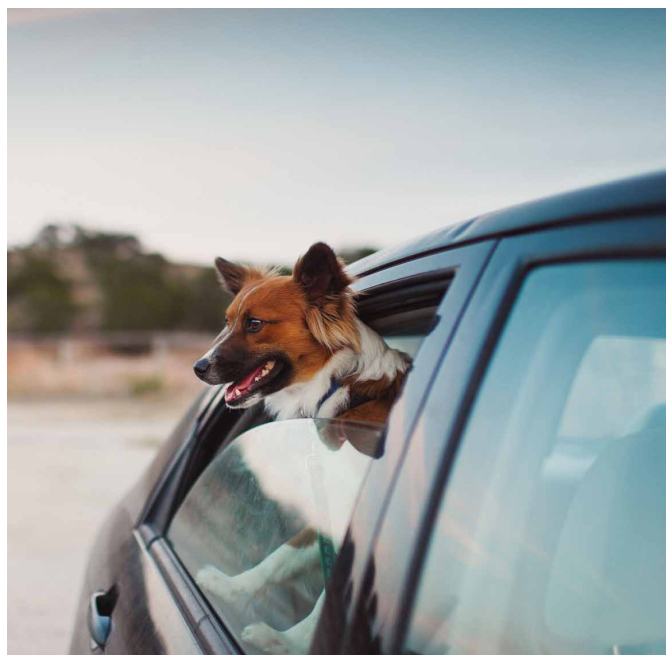
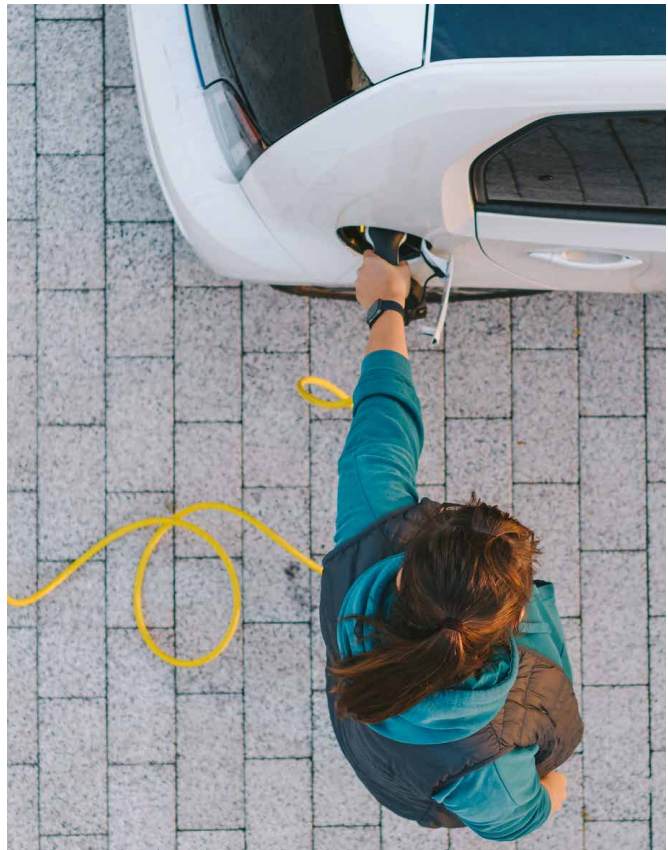


Novated leasing: Why this forgotten benefit is more important than ever

Though novated leasing might not be the hottest topic or the most popular benefit — offered by only 19 percent of employers with a tiny 3 percent adoption rate — its significance when it comes to enhancing employee wellbeing is substantial.

Novated leasing allows employees to lease a car for personal use, with payments conveniently deducted from their pre-tax salary. This not only helps reduce vehicle related expenses, but also decreases taxable income, fostering a better work-life balance. Plus, it's a great option for a workforce increasingly stressed about transportation costs.

For up-and-coming businesses operating on tighter budgets, splashing out on lavish perks like gym memberships or spa treatments may not be realistic. However, Fringe Benefits Tax (FBT)-exempt options like novated leasing on an eligible electric vehicle (EV) offers a cost effective way to bolster pay packages without the out-of-pocket expenses larger companies can afford.



Why benefits matter: Creating employee resilience in a down market

In a world where workplace pressure is relentless and rising, the National Employee Benefits Index offers a blueprint for change. Our data compellingly demonstrates that employee benefits aren't just nice to have, they're a lifeline that can revitalise a workforce, even when the cost of living is high and job mobility is higher.

Our data shows that as benefits are entrenched in company processes and culture, something incredible happens: employee satisfaction goes up and dissatisfaction dwindles. Benefits have the power to help employees thrive, acting as a buffer between economic pressures and emotional stress.



Key takeaways: The pivotal role of benefits in employee engagement and retention

Although data consistently shows the positive influence of employee benefits on satisfaction, it is still believed that these programs are poorly 'attached' to pay, so employees disassociate them from their salary, undermining the overall positive impact.

This is where longitudinal research like the National Employee Benefits Index becomes vital. It's through these studies that we can challenge existing notions and link the undeniable influence of employee benefits directly to compensation and engagement.

So, as we move forward in this down market, let's not view benefits as an optional extra, but as essential instruments for building stronger, happier, and more resilient teams.



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

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