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Strengthening your Employee Value Proposition

A Cost-Neutral Strategy Guide

Maximising the impact of employee benefits to support your people and retain critical talent during economic uncertainty

Introduction

You've likely completed your pay review. Has the current climate impacted how much you could offer?

The increase in the National Minimum Wage and employer NI Contributions means businesses must find other solutions to support financial wellbeing beyond offering higher salaries.

The Harsh Truth

Employee pay increases may not do enough to support employees' financial wellbeing.

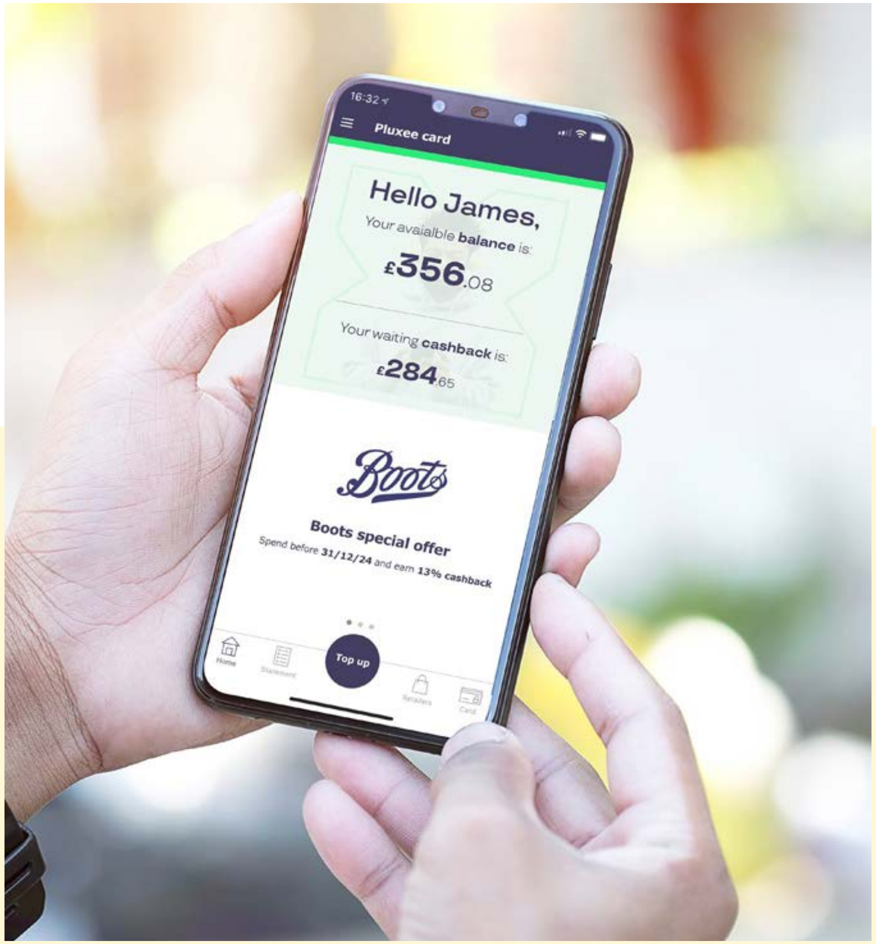
Salary-stretching employee benefits can have more of a positive financial impact on employees than a pay increase. Together, they can take employees from a state of surviving to thriving.

The need for employers to find ways to support their people is as vital today as it was at the peak of the cost-of-living crisis.

In our **Budget-Busting Employee Benefits Strategy Guide**, we introduced the strategy of using salary sacrifice schemes to generate significant business savings.

When pay increases create inequity, utilising NIC savings to invest in employee benefits helps your people and business grow sustainably – delivering a return on investment.

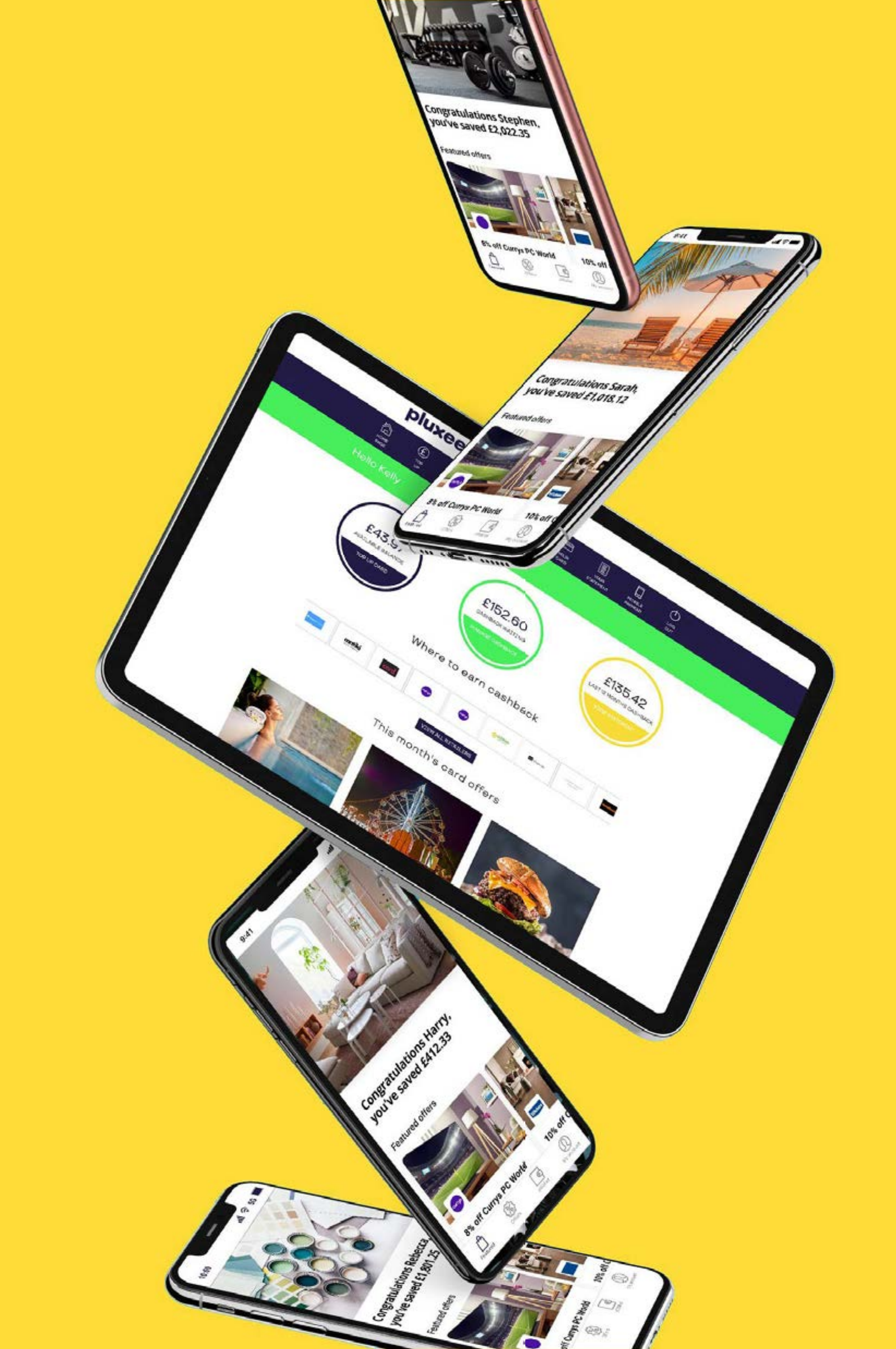
During this guide, we'll present those savings alongside a strategy that you can use to create a cost-neutral employee benefits package that delivers results for your people and business.



At the end of January 2025, the median pay rise over the three months prior was **3%.**

This is **1 to 1.5%** less than previous years, and 33% of employers are reducing their planned 2025 pay rises due to the increase in employer NIC.[1]

1: HR Review



What to expect

Unpack the reality of a 3% pay increase across different pay brackets, assessing what the take-home pay actually looks like.

When researching for this guide, we found a startling case of **pay rise inequity**, significantly impacting employees on an average salary.

- We set ourselves the challenge to prove that our Employee Discounts Scheme can offer employees more than a 3%+ pay increase.
- We encourage you to apply the strategy from our **Budget-Busting Employee Benefits Strategy Guide** – to promote the uptake of salary sacrifice schemes to free up the necessary budget to re-invest in your people.
- We'll share our experiences of boosting benefits engagement to maximise their impact on your employees.

Read on to explore our findings on pay increase inequity and the comparison to inflation.

Are you ready to see the difference employee benefits can make to your employees' finances?

See the Savings

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Pay Increase Review

Pay Increases: A UK Review

While the 3% median pay increase may disappoint some UK employees, there's more to the story than increasing employer costs.

The Great Resignation of early 2021, combined with labour and talent shortages, **created a war for talent**, seeing the average annual salary increase peaking at 4+%.

Economists believe this 2025 median of 3% shows the landscape starting to level out as the talent landscape stabilises.

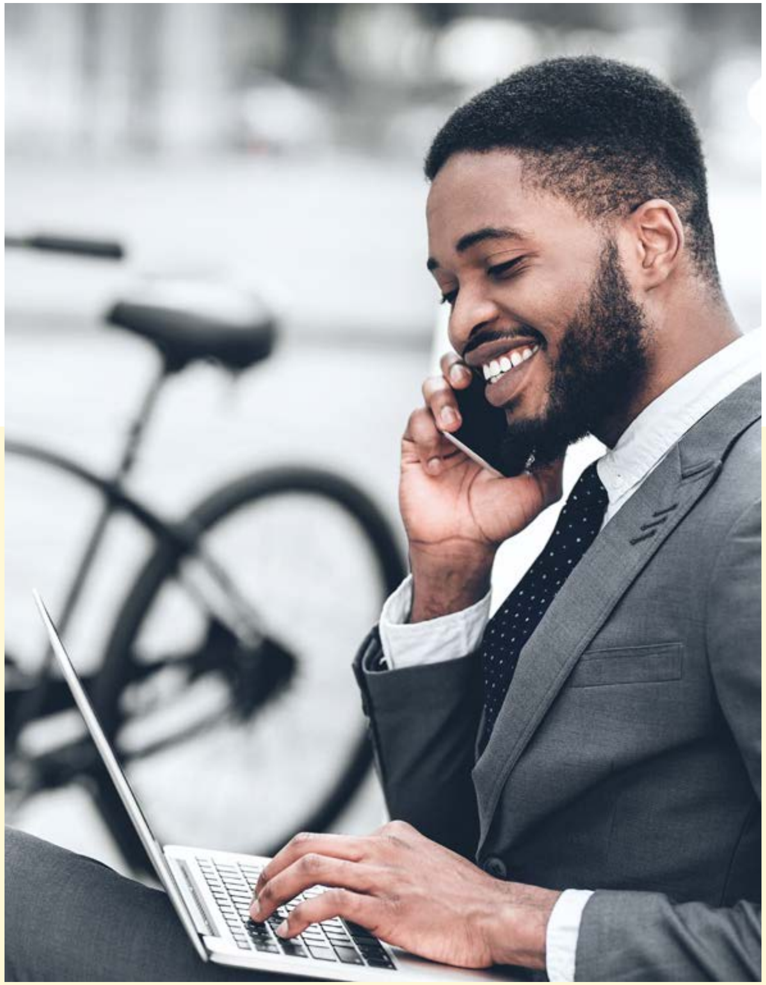
The UK is in a relatively tight labour market, and employers **must remain attractive to current and potential talent.**

The cost of recruiting new employees remains high!

"When combining the effects of unfilled positions and inefficient recruitment, the total cost to the UK economy is projected to reach ***£132.6 million in 2025.****"*[2]

The importance of employee retention as a cost-saving and **future-proofing business strategy** hasn't lessened. Short-term savings strategies that include redundancies could cost businesses more in the future should they need to refill those roles.

1: HR Review



Short-term savings strategies that include redundancies could cost businesses more in the future should they need to refill those roles.

Pay Increases Vs Inflation

At the time of creating this guide (March 2025), the current rate of inflation is 3%, with a target of reducing it to 2% in a year.[3]

The median UK pay increase for January 2025 currently matches the rate of inflation and may surpass it during the year. Still, it's important to remember that to find the median value, we must find the middle value from a data set.

If 3% reflects the middle value, some UK businesses will have awarded more and less. Any UK employee with a pay increase of less than 3% has a **below-inflation rise**. Yet, the price of goods and services will rise in line with inflation, and so will the cost of borrowing.

Employers offering a pay increase **below 3%** may be at risk of losing top talent, as employees seek a higher salary to ensure they can maintain a good quality of life and financial security.

If you fall into this category, stick around because our Budget-Busting Employee Benefits Strategy will show you how to **close the gap and alleviate the burden with salary-stretching employee benefits.**

3: Bank of England

Pay Increase Inequity

Pay Rise Inequity

The average UK salary in 2024 was £29,600 annually - £2,467 per month. After paying tax, NIC and popping 5% towards their pension, the take-home monthly pay is £24,784 per year and £2,065 per month.

This example doesn't account for those repaying a student loan or any additional taxes associated with employee benefits like Private Health Insurance.

- If an employee on the above average salary receives a 3% pay rise, their net annual salary will increase by **£459** - which is **£38 per month.**
- If we take the same example for an employee on £40,000, a 3% pay rise will create a net increase of **£864**, which is **£72** per month.
- With an employee on £60,000, a 3% pay rise will create a net increase of **£1,044**, which is **£87 per month**.

The tax system creates inequity with those on an average salary only realising **51% of their pay rise**. These employees will have to pay the same amount for food, petrol and clothing as those with higher salaries, but will be disadvantaged.

Their salaries won't stretch as far, they'll be less able to set funds aside for the future, and their financial wellbeing will decline.

This inequity will affect your business!

Employees experiencing money worries are more absent, less productive and may even suffer poorer mental health. They're also more likely to look for new job opportunities with a higher salary, costing you significantly in recruitment costs.

Levelling the Playing Field

Levelling the Playing Field

With Employee Benefits

The table across shows the average amount a family of four spends in specific areas each year, and how much they could potentially save by purchasing from a retailer on our Employee Discounts Platform.

We've gathered these numbers from data reflecting average UK family spending and used average discount rates for the retailers we work with in those areas.

Spending habits will differ from family to family and will be income-dependent. When you break down the areas of spending and the savings available via our Employee Discounts Platform, **the savings potential is higher across all three pay bands than the impact of a 3% pay increase**.

What's more, we've only applied discounts to this list. With our Pluxee Card, your people can also **earn up to 25% cashback with our participating retailers.**

* NB: This chart is based on average spending and reflects the potential savings. All retailer discounts differ and are subject to change.

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Expense	Average Annual Spend	Potential Savings
Family Holiday (Holidays/Weekends Away)	£4,800	£480.00
Family Days Out	£1,200.00	£200.00
Footwear	£151.00	£12.00
School Uniform	£249.00	£18.00
Clothing	£749.00	£60.00
Grocery Shopping	£6,096.00	£244.00
Home Improvements	£1,000.00	£50.00
Gardening	£265.00	£12.00
Home Equipment / Tech	£1,115.00	£67.00
Christmas	£719.00	£44.00
Vehicle Maintenance	£550.00	£28.00
Dining Out	£2,088.00	£208.00
Additional Services (Will Writing / Eye Tests/ Glasses)	£398.00	£282.00
Workout Gear Equipment	£200.00	£12.00
Health and Beauty (Vitamins / Cosmetics / Skin care)	£474.00	£19.00
Hobbies	£1,400.00	£84.00
Total Spend / Save	**£20,054.00**	**£1,810.00**

Encouraging Uptake for Maximum Impact

Let's return to our three pay increase scenarios…

The 3% pay rise has given these employees either £459, £864 or £1,044 extra in their pocket.

Can employee benefits bridge the gap, helping these three employees realise the full 3% or more?

In other words, can salary-stretching employee benefits help these **people save from £888 to £1,800 per year or more?**

If we look back at the results of our 21-Day Money Marathon challenge, then yes, they can.

During the challenge, the saving averaged out at £10 per employee per week. Still, we must remember this was just 21 days of their lives. It didn't factor in Christmas presents, birthdays, anniversaries, weekends away, redecorating projects, holidays, or replacing high-end goods – all of which your employees can get discounts or earn cashback on.

> *I have been a user of the Pluxee Discount App for about seven years, and during that time, you've saved me hundreds and hundreds of pounds.*
>
> Chris Hawley

Bringing Engagement-boosting Strategies to Life

Introducing our 21-Day Money Marathon!

Starting from their June payday, we gave our colleagues the mission to use their Employee Discounts Platform and cashback-earning Pluxee Card wherever possible when they needed to buy something for 21 days.

22 of the 30 participants used their **Employee Discounts** and **Pluxee Card** to varying extents for **21 days**, saving and earning a combined total of **£658.67**.

Let's put this into context...

That's £219.55 per week of the challenge and an average of nearly £10 per person.

£10 per week is a small amount in isolation, but let's not forget the point of the challenge - to make our Pluxeers see how small savings can add up!

£10 per week x 52 weeks of the year = £520!

Applying the Strategy

Applying the Strategy

Case Study: Saving employers over £4,600 per employee with Pluxee UK's Salary Sacrifice Schemes.

Employee with an annual gross salary of **£34,963** (Standard Tax Bracket) based on the new **15%** Employers NIC rate.

Salary Sacrifice Savings Chart

Salary Sacrifice Product	Employer Savings			Employee Savings		
	NIC	Salary Reduction	Total	NIC	Tax	Total
New Bike via Cycle to Work Scheme - £1,000	£150	N/A	£150	£80	£200	£280
EV Car via Green Car Scheme - £25,000 (48 month term)	£3,750.05	N/A	£3,750.05	£2,000.03	£5,000.06	£6,500.08 (with £500 BIK payment removed)
5 Days Extra Holiday with an Annual Leave Purchase Scheme	£100.85	£672.36	£773.21	£53.79	£134.47	£188.26
All the above with Pluxee UK	**£4,000.90**	**£672.36**	**£4,673.26**	**£2,133.81**	**£5,334.54**	**£6,934.90** (with £533.45 BIK payment removed)

The potential savings are significant, and you can use them to fund a comprehensive range of employee benefits that can give employees more value than a pay rise can – **as we've seen from our spend vs save chart.**

Employee benefits are an investment, and you can make them cost-neutral and sustainable.

Let's take the product that delivers the most significant savings – our **Green Car Salary Sacrifice Scheme**.

The average minimum term for the Green Car scheme is 48 months (4 years), and contracts with employee benefits partners typically run for two years.

As we can see in the chart above, one Green car scheme will generate **employer savings** of over **£3,750.05 over 4 years (£937.51 per year)**. Given our example is for one of the cheaper EV cars, this is more likely to be over £1,000 per year per employee.

You can budget for these savings and use them to cover the cost of additional employee benefits.

You will have already planned to spend the money via your wage bill, so using NIC savings to fund benefits makes the strategy cost-neutral, as you do not need to allocate additional budget.

Reinvesting in Your People

The current landscape makes retaining top talent even more vital to avoid expensive recruitment costs and the price of new recruits.

Build an employee-retaining EVP by using your salary sacrifice savings to expand your employee benefits package.

Quick question... using our £34,963 salary example, **how many employees do you think you'd need to enrol on a £25,000 Green Car scheme to be able to afford to provide the following employee benefits to 200 people:**

- Employee Discounts Platform
- Employee Assistance Programme
- Online GP
- Gym and Fitness Discounts?

Let's not forget our free salary deduct bolt ons...

- SmartPay
- Refurbished Tech Scheme

The answer... FOUR!

That's right, if four employees enrol in a Green Car scheme, you could cover the cost of creating an extensive and inclusive employee benefits package for over 200 employees, putting you in the best position to retain talent and become an employer of choice.

Maximising Your Budget

Bolt On Extra Benefits

We're encouraging you to adopt our strategy of funding employee benefits with the savings you can make from salary sacrifice schemes.

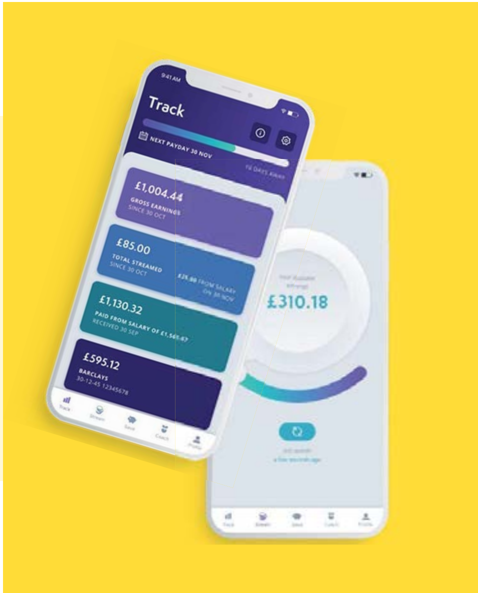
To make this process even more efficient, you can bolt our **Green Car** and **Cycle to Work** salary sacrifice schemes for *free!

You can also add our **Annual Leave Purchase Scheme and salary deduct products** – **SmartPay** and **Refurbished Tech** to your platform for easy access.

What's more, if you have more than 750 employees, you can embed our Financial Wellbeing App for *free as well!

That's up to **seven employee benefits for the price of one,** three of which **save your business money**, and two are cost-neutral.

More of what matters most to your people and business!



*Terms and conditions apply.

More for Less with an All-in-One Platform

It's clear that when your employees combine their employee discounts with cashback-earning potential, they can make more of a financial difference than the median 3% pay rise.

How can we make your budgets deliver more?

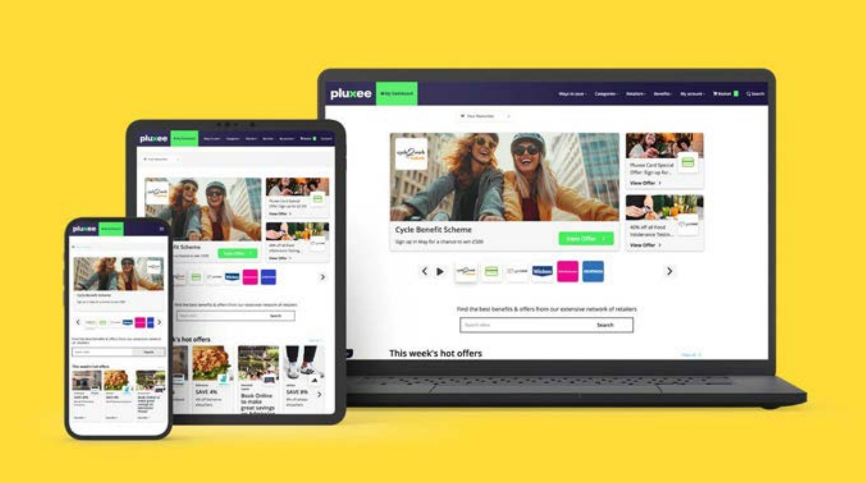
Let's refer back to our Applying the Strategy and Reinvesting in Your People section, where we explore the potential savings you can make when your employees enrol in your salary sacrifice schemes.

You can save money but also use those schemes to fund benefits – a vital step to take when pay increases are lower than in previous years.

Let's not forget that if 3% is the median, some employees' pay increases aren't keeping up with inflation.

Simplify benefits administration and strengthen your EVP.

Book a Demo



What makes our platform different?

Employee Benefits Hub:

Easily navigate and manage all employee benefits from a single, user-friendly platform. Your benefits, your branding, your way, all in one place!

Access Anytime, Anywhere on Any Device:

Web and mobile-optimised sites accessible from any internet-enabled phone, tablet, laptop or desktop. Plus, enhance your experience with our complimentary employee discounts mobile app.

Your Window to all Benefits:

Get a clear view of all available benefits, ensuring employees never miss out. Enhanced Engagement: Making access easier increases engagement, usage and satisfaction among employees.

How Can We Help?

And the Pluxee difference...?

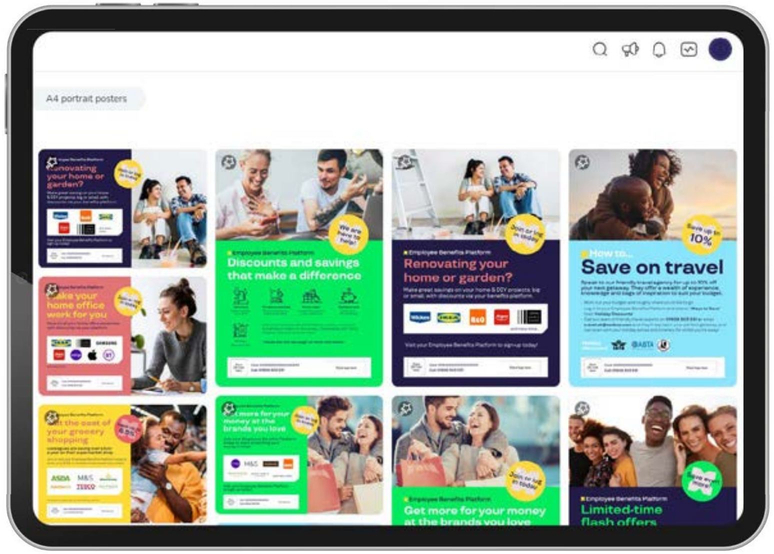
When you choose Pluxee UK for employee benefits, you get so much more than a supplier. You gain a partner who gets to know your business and helps you achieve your goals.

At Pluxee, we're dedicated to providing you with more, and this includes:

- A UK-based Customer Care Team to handle your employees' questions
- Dedicated account management
- A range of marketing assets
- A self-serve digital Comms Centre
- Special offers
- Competitions and prizes
- Digital and virtual roadshows
- Free resources, tools and guides
- Regular reports
- And a partner who measures their success by yours!

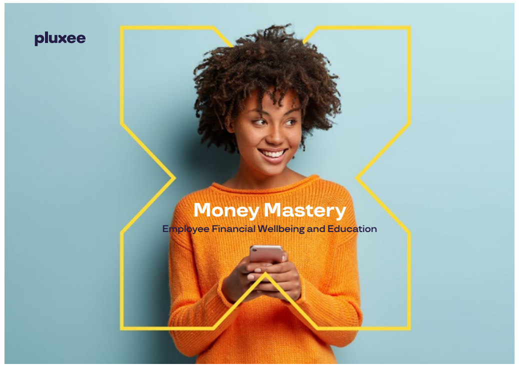
Getting you off to the best start and keeping you on top of your game!

Explore our Comms Centre!



Explore our Guides and Resources

We've created our guides to help employers create an employee wellbeing and people strategy that helps their people and businesses thrive.



Get in touch

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At Pluxee, we're all about making more of life and adding that extra bit of joy that brightens our days. We shape the world of employee benefits and engagement by bringing to life a personalised and sustainable employee experience at work and beyond. For over four decades, we have been contributing to making work not just a place to be, but a place to belong. Driven by people and enabled by technology, we act as the beating heart of a rich ecosystem of stakeholders.

We are a trusted partner to private and public companies, committed to nurturing vibrant workplaces that attract, grow and retain talents. We are a smart companion to employees – our clients' and our own. We continuously evolve our digital and personalised solutions to transcend well-being, helping to build meaningful connections and communities. We are a reliable ally to local businesses, working hand-in-hand to support their success and better serve their consumers.

Moving forward, our goal is to strengthen our positive impact on the communities we're a part of. Whether it's through our own continuous efforts or those of our partners, we are cultivating solidarity, diversity, inclusion and sustainability, in the pursuit of progress for all. Pluxee delivers more than just benefits; it's about paving the path towards a more joyful and meaningful life.

Pluxee: More of what matters to you.

www.pluxee.uk