

THE WELLBEING BUSINESS CASE

# Navigating Rising Costs & UK Compliance

E-BOOK



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## 1. INTRODUCTION

**There's never been more focus on employee wellbeing. But while expectations are going up, budgets are going the other way.**

Workplace wellbeing in the UK has reached a tipping point. Rising operating costs, increases in cost of living, ongoing workforce pressure, and increased regulatory complexity have pushed wellbeing out of the “nice to have” category and into the realm of financial and compliance decision-making.

The proof is in the pudding. According to the Work Life Wellness 2026 report, 40% of employees say work stress is harming their mental wellbeing. This is not a marginal issue affecting a small subset of the workforce. It is a systemic challenge with direct implications for absence, productivity, and retention.



At the same time, organisations are constantly being asked to do more with less. Budgets are on a shoestring, benefits are being reviewed line by line, and Finance teams are asking harder questions about return, risk, and accountability.

This guide is designed to help HR, People, and Finance leaders navigate that reality. Not by cutting support, but by understanding where wellbeing spend delivers value, where it leaks, and how to align it with both workforce needs and UK compliance requirements.



# Understanding Your True Wellbeing Costs

When cost pressure increases, wellbeing is often one of the first areas put under the microscope. But before making reductions, it is worth stepping back to understand where wellbeing-related costs actually sit and how they show up across the business.

Cutting too quickly can be costly. Wellbeing spend is rarely isolated, and removing support in one area often pushes costs into others, from higher absence to increased turnover. Getting a full picture first makes it easier to spot inefficiencies, protect what works, and make smarter decisions about where to invest and where to streamline.

Here's where wellbeing costs really sit:

1. **Benefits:** Often the most visible spend, but not always the most effective. Benefits can look generous on paper while delivering limited value if they are hard to access or poorly understood.
2. **Wellbeing:** This includes programmes, platforms, and initiatives designed to support physical, mental, and emotional health. When these are fragmented or underused, impact drops while costs remain fixed.
3. **"Absence-related costs:** Sickness absence, long-term leave, and reduced capacity all carry a financial burden. These costs tend to rise quietly when wellbeing needs are not adequately supported.

#### 4. **Turnover and replacement costs:**

When people leave due to burnout or lack of support, the costs extend far beyond recruitment. Lost knowledge, onboarding time, and reduced productivity all add up quickly.

Once you have a clearer view of where wellbeing costs sit, the next step is understanding where value is being lost. In many organisations, this is less about overspending and more about how support is structured and delivered. Common sources of budget inefficiency can include:

1. **Overlapping providers and solutions:** Wellbeing often grows reactively, resulting in multiple tools that solve similar problems. This creates confusion for employees and unnecessary duplication for employers.
2. **Low utilisation benefits:** Even well-designed support delivers little value if people do not use it. Low engagement is often a signal that access, communication, or relevance is missing.
3. **Spend that does not align with workforce needs:** When wellbeing investment is based on assumptions rather than real demand, even well-funded programmes struggle to gain traction. [The Work Life Wellness 2026 report](#) shows that most employees want fitness and nutrition support at 24%, followed closely by financial wellbeing tools, flexible working, and access to therapy or counselling. When spending does not reflect these priorities, engagement and impact drop.

The goal is not to strip back support, but to understand where it is quietly leaking value. With the right data, organisations can see what is working, what is being overlooked, and where small changes could make a meaningful difference.

This shift, from reactive spend to intentional, outcomes-led budgeting, allows wellbeing investment to work harder without increasing overall cost.

# Budget Optimisation Without Cutting Support

Doing more with what you already spend doesn't mean you have to offer less. It means making wellbeing easier to access, understand, and stick with.

In many organisations, wellbeing has grown organically over time. A new app here, a new provider there, often introduced with good intentions but little coordination. The result is a fragmented experience that employees struggle to navigate.

[The Work Life Wellness 2026 report](#) highlights the impact of this fragmentation. Only 17% of UK employees strongly agree that wellness is ingrained in their company's culture. When wellbeing feels bolted on rather than built in, engagement naturally suffers.

Optimisation starts with a simple audit. What support exists today? Where do offerings overlap? Which tools are actually being used? From there, organisations can begin to streamline, reduce duplication, and shift towards more [integrated solutions that reflect how people live and work.](#)

When wellbeing aligns with employee needs and daily routines, it stops feeling like an extra task and starts becoming part of normal life.



# Understanding UK Compliance

Alongside rising costs, UK employers are navigating an increasingly complex compliance landscape. Wellbeing benefits, while well-intentioned, can create risk if they are not structured correctly.

PIID implications mean some wellbeing benefits may be treated as taxable non-cash benefits. Employers should review which benefits are exempt, which need to be reported, and how this affects payroll and employee take-home pay to avoid surprises later on. Salary sacrifice arrangements come with their own set of rules, including

1

**Contractual agreement required:** Salary sacrifice arrangements must be clearly documented and agreed in advance.

2

**National Living Wage protection:** Pay must never fall below the National Living Wage as a result of salary sacrifice.

3

**Statutory pay safeguards:** Statutory pay, including sick and parental pay, must not be reduced.

4

**Pension auto-enrolment:** Minimum employer pension contributions must still be met.

5

**Employee choice:** Employees must have the option to opt in rather than being automatically enrolled.

6

**Duration and review:** Arrangements typically run for at least 12 months, with a defined review period.

This matters because structuring wellbeing benefits correctly can improve tax efficiency while reducing exposure to compliance risk. Non-compliance can lead to financial penalties, payroll issues, and erosion of employee trust, making compliance a core concern for both Finance and People leaders.

# Connecting Wellbeing to Business Performance

One of the most common frustrations with wellbeing initiatives is measurement. Too often, success is judged by activity rather than actual impact.

While activity metrics tell you what was offered or accessed, impact metrics tell you what actually changed.

The Work Life Wellness 2026 report reinforces why this matters. In the UK, the majority of employees say they perform better when they prioritise their wellbeing, and **many would consider leaving an employer that does not take wellbeing seriously**. These attitudes have direct consequences for absence, engagement, and retention.

A good measurement framework focuses on trends over time rather than instant returns. By linking wellbeing to indicators leaders already care about, such as sickness absence and turnover, wellbeing becomes easier to discuss in relation to business outcomes.

In order to start building one, you should first:

1. **Define the desired outcomes:** Start with what you want to change, such as absence, retention, or engagement.
2. **Use existing business metrics:** Anchor wellbeing to data your organisation already tracks.
3. **Distinguish activity from impact:** Measure usage, but prioritise outcome trends over time.
4. **Keep it focused and review regularly:** A small, consistent set of indicators reviewed often is more effective than complex reporting.



# Making the Case to Finance

Winning CFO support requires a shift in framing. Obviously, wellbeing can't be positioned as an added cost. Instead, it should be seen as a mechanism for cost control, employee retention and risk mitigation. Here are the most common objections that tend to crop up:

- 1. Concerns about cost:** Questions around affordability often reflect wider pressure on operating budgets. Address this by showing how wellbeing spend compares to the cost of absence, turnover, and disengagement that already sit elsewhere in the P&L.
- 2. Questions around return on investment:** CFOs are rarely looking for perfect attribution. What they want is confidence that investment influences outcomes the business already tracks, such as sickness absence, retention, and productivity trends.
- 3. Belief that existing programmes are sufficient:** Many organisations already invest in wellbeing, but low utilisation or fragmented delivery can dilute impact. The issue is often not the presence of support, but how well it is designed and used.

- 4. Worries that returns take too long to materialise:** While some benefits are long-term, early indicators such as engagement, uptake, and reduced absence frequency can be tracked well before financial outcomes fully land.

The strongest business cases address these directly. They use benchmarks, scenarios, and cost-of-inaction modelling to show what happens when wellbeing is underinvested in. Absence rises. Turnover increases. Productivity declines.



## A strong wellbeing case clearly shows:

1. **The risks of maintaining the status quo:** Including continued pressure on absence, burnout, and retention in an already stretched workforce.
2. **The costs already being absorbed elsewhere.** Such as lost productivity, repeated hiring cycles, and unplanned absence that rarely sit within wellbeing budgets.
3. **The outcomes leaders expect to influence:** Clear, realistic targets that connect wellbeing support to measurable business priorities.

The goal is not to win an argument, but to build confidence. When wellbeing is positioned in business terms, Finance leaders can engage with it as a platform for stability, rather than a leap of faith.



# From Approval to Action

Approval is one thing; the real test comes in implementation. The Work Life Wellness 2026 report found that 86% of UK Employees agree that their employer has a responsibility to help them tend to their wellbeing, so getting implementation right is crucial.

Wellbeing programmes that deliver on their promises tend to be simple, flexible, and easy to access. They avoid adding administrative burden and are communicated clearly as part of a wider value exchange between employer and employee. When wellbeing feels intuitive rather than an uphill climb, engagement follows.

Managers play a particularly important role. When leaders model healthy behaviours and actively encourage participation, wellbeing becomes easier to adopt at every level. Without that reinforcement, even well-designed programmes struggle to gain traction. Setting realistic goals, reviewing progress regularly, and being willing to adapt help keep wellbeing relevant as needs change. The same report shows that only 37% of employees say their company updates its wellbeing programme at least once a year, suggesting many organisations struggle to evolve support over time.

Regular review reduces fatigue and ensures wellbeing remains genuinely useful rather than performative.



# Wellbeing as a Financial Lever, Not a Feel-Good Extra

In 2026, poor workplace wellbeing is a major red flag. It affects costs, compliance, and how well people are able to show up at work.

The organisations that get this right focus on clarity over complexity. They move away from one-off perks and towards wellbeing support that is easy to use, aligned with real needs, and built to last.

The impact is visible. Seven in ten Wellhub members say wellness is ingrained in their company's culture, compared with just 32% of non-members. This difference is not about intention. It reflects what happens when wellbeing is designed to work in real life, not just on paper.

With the right approach, wellbeing supports stronger teams, better retention, and more sustainable performance. And with the right partner, it becomes simpler to put that approach into practice.

If you want to understand where your wellbeing spend is working, where it may be leaking value, and how to move forward with confidence, [get in touch with the Wellhub team for a wellness plan that elevates your bottom line.](#)



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