

Business & Trade Select Committee: Call for Evidence – Employment Rights Bill

Edenred Reward Gateway submission

Answering:

How will the Plan to Make Work Pay impact:

- Economic growth?
- Productivity levels?
- Rates of investment?
- Business start-up rates?
- Supply of labour?
- Employment levels?
- Incomes?
- Household wealth?
- What solutions or actions are required by Government, businesses and workers to effectively support the labour market while boosting productivity and protecting workers' rights?

Introduction

Edenred Reward Gateway is delighted to have the opportunity to respond to the Business and Trade Committee's inquiry into Make Work Pay: Employment Rights Bill. As a leading global provider of employee benefits and public social programmes, we are well placed to contribute insights and recommendations to assist with your inquiry. We recognise the important role that the Committee will play in ensuring the legislation and the Make Work Pay programme are sufficiently scrutinised as both pass through Parliament and look forward to supporting Committee members during this process.

Edenred Reward Gateway was formed in May 2023 by a merger between Edenred UK and Reward Gateway. We provide a platform for directed spend across end-to-end employee benefit services, in the private and public sector, as well as public social programmes.

Across public social programmes, Edenred has been a critical delivery partner of the Household Support Fund and Free School Meals. Since 2021 we have supported 46 local authorities across the UK to deliver support and in 2023 alone, distributed over 2.5 million payments.

Across private and public workplaces, we have connected over 52 million users and 2 million partner merchants in 45 countries via more than 950,000 corporate clients. We offer specific-purpose payment solutions for food (meal benefits), engagement (gift cards and engagement platforms), mobility (multi-energy solutions, including EV charging, maintenance, toll and parking) and corporate payments (virtual cards).

Make Work Pay Plan

Edenred is supportive of the Government's mission to improve employment and modernise workplaces. This is a vital step as the UK seeks to tackle its historically low levels of productivity, wage stagnation and prevalence of work insecurity. Improving our workplaces, safeguarding workers' rights, and investing in the health of employees are key steps to lift the UK out of persistently low productivity levels and build a more resilient economy.

The Make Work Pay plan serves as a strong foundation for achieving these goals. However, the strategy could go one step further by acknowledging the untapped potential of workplace benefits to

support the labour market while boosting the productivity of workers – contributing to the Government’s wider objective of improving economic growth – and protecting workers’ rights.

The power of directed spend in the workplace

It is encouraging that alongside the Employment Rights Bill, the Government plans to introduce a range of specialist initiatives aimed at helping individuals stay in work and return to employment, extending beyond the scope of primary legislation. This ambition is echoed by the Get Britain Working Again White Paper which has committed to an independent review into UK employers’ role in promoting healthy and inclusive workplaces.

As part of these initiatives, we believe that the untapped potential of workplace benefits should be considered as a powerful policy lever to drive recruitment and retention across the public and private sector, improve the health and wellbeing of employees, address ongoing cost of living pressures, strengthen the employer-employee relationship as well as contributing to wider economic growth.

Boosting employee engagement, boosting productivity

Edenred Reward Gateway’s recent research demonstrates a concrete link between employee engagement and good business outcomes, proving that an engaged workforce is a key driver of a successful business and wider economic growth.¹ In an analysis of over 300 companies, there was a discernible correlation between the combined scores for employee engagement metrics and business outcome metrics.²

Research shows a link between employee engagement and business profitability, growth, employee retention, and customer satisfaction, with employees who feel appreciated being 43% more effective at work.³ Many private and public sector organisations already take advantage of this. For example, 95% of employees in the Department for Environment Food and Rural Affairs receive digital benefits and some of the largest private sector employers including HSBC, Spotify, Marks and Spencer’s, all use employee benefits to drive engagement.

Appreciation is a powerful driver of workplace success - it boosts productivity, performance and employee engagement, while also improving motivation and team relationships.⁴ In Edenred Reward Gateway’s recent Appreciation Index, the UK achieved a score of 61.8 out of 100 – below the global average of 65 – highlighting that the UK workforce feels notably less valued than its peers in the U.S. (66.3) and Australia (66.8).

This gap represents a substantial opportunity for UK businesses and the Government to co-create targeted appreciation strategies that deliver better business outcomes and drive economic growth. In work benefits can take a variety of forms such as meal vouchers, gift cards, discount schemes, healthcare plans, and EV charging vouchers. There are a range of tools available to government to improve employee appreciation and foster improved employee engagement.

Example of directed spend in the workplace: an employee meal card voucher

One such exemplar benefit scheme would be the introduction of a meal card scheme, providing employees with up to £10 a day for a meal in the working day on a top-up model, meaning the payment is processed by the employer and it is exempt from national insurance.

¹ Edenred Reward Gateway, *Employee Engagement: An Economic Value Study*, May 2024

² The Employee Net Promoter Score (or eNPS) is a metric used to measure employee engagement and loyalty towards a business.

³ Edenred Reward Gateway, *The Power of Appreciation in the public sector*, September 2024 <https://www.edenred.co.uk/en/resources/the-power-of-appreciation-in-the-public-sector/>

⁴ Edenred Reward Gateway, *Appreciation Index* <uk-the-appreciation-index.pdf>

This would be achieved by updating HMRC's existing exemptions (Tax and National Insurance) list for employee benefits and expenses, found in the Income Tax (Earnings and Pensions) Act 2003 (ITEPA). Making it tax free would encourage employers to provide the benefit and vouchers would ensure the cash reaches the real economy. Similar schemes already operate in 35 countries around the world, including France, Italy and Belgium, benefiting a total of more than 50 million workers globally.

In data from Deltapoll this year, 80% of employers believed such a scheme would boost their workers' productivity and 85% said that it would boost wellbeing. Furthermore, in a representative poll of over 1,519 UK adults, the majority (52%) of low-income households said the scheme would help with productivity and engagement at work.

Economic growth

As indicated above, driving employee appreciation, engagement and productivity has a positive impact on the UK's labour force and regional and national economies.

Workplace benefits also can generate spend in other areas of the economy. For example, a meal card scheme has the potential to unlock £6.3bn in gross value added per annum for the UK economy⁵ and generate an estimated net benefit to the Treasury of £2.1bn per annum⁶. Full analysis conducted by Ignite Economics is included in **ANNEX 3**.

The scheme would generate an 18% uplift in the average turnover for participating restaurants and retailers, from increased footfall from scheme users – contributing to the revitalisation of high streets and local economies.⁷ Based on four million scheme users, the scheme could create over 280,000 jobs across the country, or 14% of the UK's working population as a result of increased spend in the hospitality and retail industry. (This estimate is based on take-up of similar schemes around the world, see **ANNEX 2**).

Supply of labour and employment levels

Workplace benefits are proven to drive recruitment and retention of the workforce. Linking to benefits as a driver of appreciation, according to a survey of over 2,000 employees across the UK, fewer than 40% of employees who felt valued had thought about leaving their company in the past six months, in contrast to 81% of those who seldom or never felt appreciated.⁸

Using the example of the meal card, organisations that offer food vouchers or healthy office snacks report employee retention rates that are 11% higher than those that don't.⁹ Frontline organisations that offer food vouchers or healthy office snacks report an employee wellbeing score that is 11-13% higher than those that don't.¹⁰ 60% of businesses surveyed in January 2023 say they would like to see the rules changed to allow them to offer this to their workers.

The scheme would also help to encourage a likely 19 million employees back to the office¹¹ and to town and city centres following the rise in remote working resulting from the Covid-19 pandemic.

Household wealth

⁵ Real Meal Deal estimate based on expected uptake by four million users, underlying data by Ignite Economics 2023.

⁶ Real Meal Deal estimate based on expected uptake by four million users, underlying data by Ignite Economics 2023

⁷ Real Meal Deal estimate based on expected uptake by four million users, underlying data by Ignite Economics 2023

⁸ Edenred Reward Gateway, Appreciation Index [uk-the-appreciation-index.pdf](#)

⁹ Edenred Reward Gateway, *Employee Engagement: An Economic Value Study*, May 2024

¹⁰ Edenred Reward Gateway, *Employee Engagement: An Economic Value Study*, May 2024

¹¹ Survey of 2012 full-time & part-time workers, representative of the UK workforce. Fieldwork dates: 13-14th December 2022.

Employees in receipt of workplace benefits will have a direct positive effect on their spending power whilst also allowing the Government to target specific areas of cost pressure for relief. Digitalised vouchers are a highly effective, targeted mechanism for directed spend. They allow instant delivery, secure, fraud-free and targeted payments, they provide autonomy and discretion, they're easy to use and redeemable across services and importantly, they're data-led.

Using meal cards as an example, employees could receive up to £220 a month to boost food spending power in working households, particularly benefiting those on the lowest incomes, and helping households to reduce their monthly food budget by up to 58%.¹² Benefit schemes can be tiered accordingly, targeting those who need the most support whilst directly affecting workers' ability to afford quality food during the work week. As the new government is looking for ways to ease the cost-of-living burden this is a small intervention that would go a long way to help people feel that bit more financially secure.

Furthermore, workplace benefits have the power to create healthy working environments and prompt healthier choices. For example, a meal card scheme would help workers afford healthy, quality foods during work. Research from the Food Foundation found that healthy, nutritious food is nearly three times more expensive than obesogenic unhealthy products¹³. In answer to this, according to our own research, 74% of workers said they'd prioritise healthier food options if they were offered a meal card¹⁴. Meal cards increase the budget available to workers enabling them to choose healthier foods when taking their lunch – leading to a healthier, more productive workforce.

Conclusion: recognising employee benefits as a tool to Make Work Pay

Research and case studies from the UK and across the world illustrate that directed spend within the workplace is a proven powerful tool to drive forward public policy priorities:

- Boost employee engagement, boosting productivity
- Drive local and regional economic growth
- Increase the supply of labour and bolster employment levels
- Increase household wealth, leading to healthier decision making

The Government has had to make many tough decisions in the first months of the Parliament but by realising the potential of directed spend and utilising workplace benefits, policymakers could provide targeted relief to those with the greatest need, strengthen the employee-employer relationship and stimulate economic growth.

In the workplace, tax breaks for valuable benefits like meal cards could be the next step in the future of work agenda, providing a boost to employers and employees alike whilst delivering a positive contribution to the Treasury. These kinds of benefits require small tweaks to existing legislation to allow them to be universally available to all businesses. For example, the introduction of a meal card in the UK could be achieved by an update to HMRC's existing exemptions (Tax and National Insurance) list for employee benefits and expenses, found in the Income Tax (Earnings and Pensions) Act 2003.

As such, Edenred Reward Gateway encourages the Committee to consider directed spend within the workplace as an additional measure within the government's Make Work Pay plan. As part of this, we would recommend that the Committee consider the review and revision of existing exemptions to bring parity to all businesses, so no matter their size, all their employees, can benefit.

¹² Real Meal Deal estimate based on expected uptake by four million users, underlying data by Ignite Economics 2023.

¹³ Food Foundation, Major report highlights impact of Britain's disastrous food policy, July 2022 <https://foodfoundation.org.uk/press-release/major-report-highlights-impact-britains-disastrous-food-policy>

¹⁴ Real Meal Deal commissioned survey of 2,012 employees, December 2022

ANNEX 1: Proposed meal card scheme allowance per taxpayer band

Proposal	Availability	Basic rate	Higher rate	Additional rate
Proposal 1	Universal	Up to £220 per month (£10 a day), employer and employee NI and income tax exempt	Up to £220 per month (£10 a day), employer and employee NI and income tax exempt	Up to £220 per month (£10 a day), employer and employee NI and income tax exempt
Proposal 2 (preferred)	Universal	Up to £220 per month, employer and employee NI and income tax exempt	Up to £110 per month, employer and employee NI and income tax exempt	Up to £110 per month, employer and employee NI and income tax exempt
Proposal 3	Universal	Up to £220 per month, employer and employee NI and income tax exempt	Up to £220 per month, but only £110 is NI and income tax exempt	Up to £220 per month, but only £110 is NI and income tax exempt

ANNEX 2: EVIDENCE FROM OTHER MARKETS

Country	Estimated beneficiaries	Impact
BELGIUM	2,400,000 employees	Each euro spent on meal cards in Belgium generates an average €1.80 return for the local economy.
FRANCE	4,500,000 employees	Supported almost 200,000 jobs in France and provided more than €2bn of extra tax revenues.
ITALY	3,800,000 employees	More than 190,000 jobs created and an economic contribution equivalent to almost 1% of the country's total GDP.
PORTUGAL	1,800,000 employees	Contributed more than €1.2bn to the economy. For every 25 beneficiaries of meal vouchers, one paid job is created in the Portuguese economy.

ANNEX 3: REAL MEAL DEAL / IGNITE ECONOMICS ANALYSIS**Figure 1: Economic Benefits of Meal Card Scheme based on 1 million users – Proposal 2 (Progressive)**

£m per 1 million beneficiaries	Direct	Indirect & Induced	Total
Beneficiaries	1,000,000	1,000,000	1,000,000
Jobs Created	38,591	33,351	71,942
Beneficiaries to Create Each New Job	26	30	14
Turnover	1,426	1,694	3,120
GVA	722	858	1,580
Payroll Taxes	144	125	269
Universal Credit Benefit Savings	174	150	324
Total Employment Benefit to Treasury	318	275	593
VAT	245	31	276
Corporation Tax	24	29	53
Total Corporate Taxes	269	59	329
Total Tax Uplift	588	334	922
Capital Investment Uplift	106	126	232
Total Tax and Capital Investment Uplift	693	460	1,153

Figure 2: Economic Benefits of Meal Card Scheme based on 1 million users – Comparison of Total Impact (including indirect and induced impacts)

£m per 1 million beneficiaries	Proposal 1	Proposal 2	Proposal 3
Beneficiaries	1,000,000	1,000,000	1,000,000
Jobs Created	77,177	71,942	74,893
Beneficiaries to Create Each New Job	13	14	13
Turnover	3,347	3,120	3,248
GVA	1,695	1,580	1,645
Payroll Taxes	289	269	280
Universal Credit Benefit Savings	348	324	337
Total Employment Benefit to Treasury	636	593	617
VAT	296	276	287
Corporation Tax	57	53	55
Total Corporate Taxes	353	329	342
Total Tax Uplift	989	922	960
Capital Investment Uplift	248	232	241
Total Tax and Capital Investment Uplift	1,237	1,153	1,201