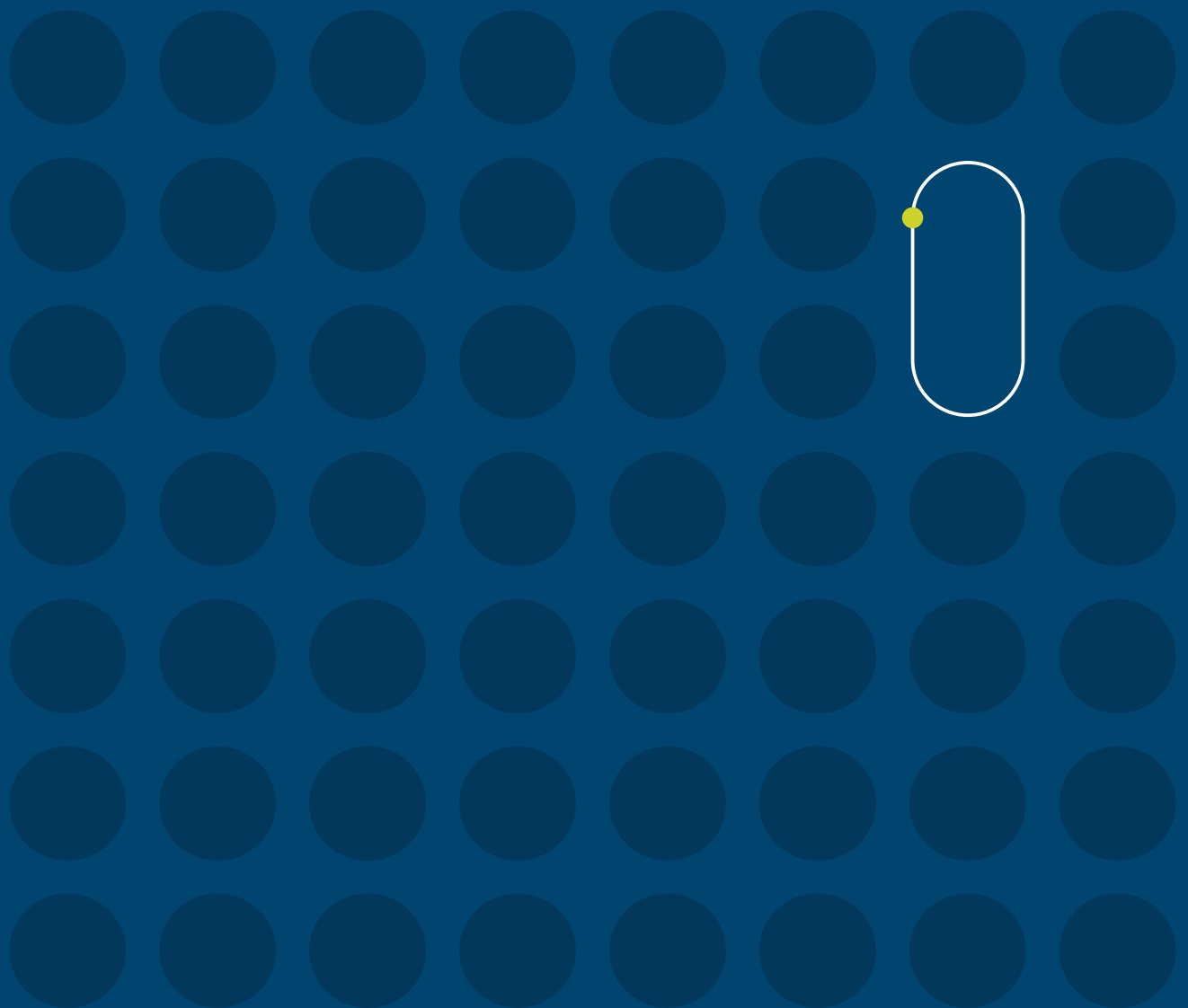


Healthy Workforce, Thriving Economy:

Backing Britain's SMEs



Acknowledgements

This report was authored by Daniel Cavanagh, Consultant at H/Advisors Cicero, and Julia Langmuir, Associate at H/Advisors Cicero, with contributions from H/Advisors Cicero team: Andrew Roberts, Sonia Khan, Emma Turnbull, Harriet Hill Harrison and Elisabeth Reuss. The report was designed by Miglena Atanasova, Head of Design at H/Advisors Cicero. The quantitative research was carried out by YouGov.

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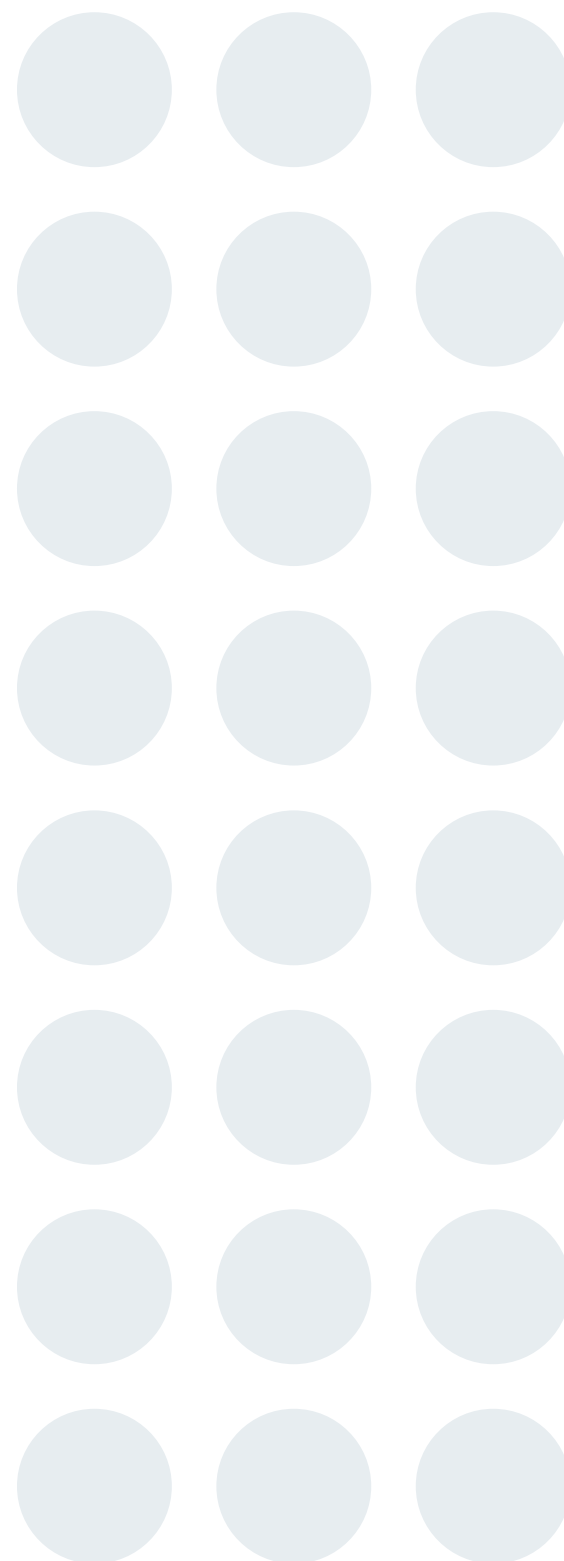
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Executive Summary

Building a healthier workforce to drive sustainable economic growth.

Building on previous research published by Unum, including the Health, Happiness and Productivity (2023) report based on insights from 4,035 UK employees, this latest study draws on conversations with leaders across the industry, and a survey of 2,010 small and medium-sized enterprise (SME) wellbeing decision makers across the UK.^{1,2} It provides a deeper understanding of the barriers SMEs face when investing in employee health and wellbeing. By exploring these challenges and engaging with experts across the sector, the report sets out clear recommendations to reduce the burden placed on SMEs and support greater investment in health and wellbeing products and services to help keep people in work and protect our vital SME landscape here in the UK.

SMEs are paying the price for poor health twice over – once in lost productivity, and again in lost opportunity to grow. Without targeted support, the UK risks trapping its most dynamic businesses in a cycle of sickness and stagnation.



Key findings from the research suggest:

01

SMEs are under-prioritising wellbeing despite huge cost of sickness absence

While 71% of SMEs offer at least some employee benefits, most see wellbeing as peripheral. Few allocate meaningful budgets, and just 7% ranked health and wellbeing as a top priority last year. This suggests that investment in employee health remains reactive rather than strategic.

02

SMEs are facing a significant cost burden associated with employee ill health

The median cost of employee sickness for SMEs is £ 27,964 - equivalent to 1.7% of total turnover in 2024/2025. Extrapolated across the UK SME population, this represents a staggering **£28.9 billion** a year in lost output.³

03

SME decision makers are confused and frustrated by existing government policy

Only 6% of SMEs say government guidance on their wellbeing responsibilities is clear, falling to just 3% among micro businesses (those with 3-9 employees). Over a quarter (27%) of micro businesses say they “don’t know” whether current guidance is sufficient at all, signalling a major knowledge gap in a critical part of the SME market.

04

SMEs value employee wellbeing, but can’t afford to invest in employee health benefits

While nearly a third of SMEs (30%) say they value employee wellbeing, most are bracing for cutbacks rather than expansion. Rising National Insurance contributions (63%) and the minimum wage (46%) are the most frequently cited barriers to investment.

Despite record levels of sickness absence and escalating productivity losses, competing pressures are leaving many SMEs unable to dedicate the necessary resources to employee wellbeing.

Without urgent reform, the UK risks stifling its most important growth engine.

1. WPI Economics, Health, Happiness and Productivity Report, 2023

2. Sample definition: Decision-makers in businesses with 3-249 employees, with specific responsibility for people management (e.g., employee welfare, human resources, people / talent, or organisational design)

3. Based on Unum estimate. See Section 2: The true cost of employee health.

How can Unum support SMEs with adopting employee health benefits?

The *Health, Happiness and Productivity* report highlighted the vital role of health and wellbeing in driving productivity, and called for government, employers and insurers to commit to improving workplace health and happiness. It also proposed a new system of Statutory Sickness Support, a broader definition of occupational health, and the establishment of national employer standards.

The Government's *Keep Britain Working Review* set out a framework for shared responsibility for employee health - between the government, employers, and employees - with industry standards trialled by companies, centralised by the government, and rooted in data and analysis.⁴ Our primary research with SMEs, conducted in partnership with YouGov, has informed a set of recommendations to strengthen support for SMEs and their employees in accessing and providing workplace wellbeing services.

Data collection

Reshaping government policy to improve employee benefits provision will require ongoing monitoring of how government policy changes impact SME decision making and employee health and productivity. Understanding the ability for SMEs to absorb shocks in the short and long term should shape future policy, but this will require monitoring of SME decision making and benefits provision.

The government has a key role to play in data collection to understand and better improve SME employee health benefits and ensure SMEs have the resources they need to support their employees.

Mandatory national standards

Introducing 'mandatory' national standards and an accreditation framework for workplace health and wellbeing would guide employers on effective action, raise public and market awareness, and encourage wider adoption. Annual data collection should underpin these standards, enabling continuous improvement and reinforcing the Government's commitment to keeping people healthy and in work.

Centralised guidance backed by the government

Providing clear signposting to the information available to SMEs on the importance of employee benefits can help to eradicate the confusion holding business leaders back from investing in these critical benefits.

A tax system built to support health and wellbeing

Health-related insurance products like Dental Insurance and Health Cash Plans (HCPs) should be made exempt from Insurance Premium Tax (IPT) as the tax diminishes the appeal of these otherwise affordable benefits for SMEs. Businesses in the UK also currently face double taxation issues related to Group Income Protection (GIP) benefits and premiums when these are offered through Optional Remuneration Arrangements (OpRA), also known as salary sacrifice schemes. This can deter SME facilitation of GIP benefits, thereby undermining efforts to support employee wellbeing.

Exempting health insurance, including Group Critical Illness Cover, from income tax and National Insurance Contributions (NICs) in the UK would incentivise more employers to provide cover, improving workforce wellbeing and reducing absenteeism.

4. Department for Work and Pensions and Department for Business and Trade, *Keep Britain Working Review: Final report*, November 2025

Foreword

Mark Till, Chief Executive Officer,
Unum UK

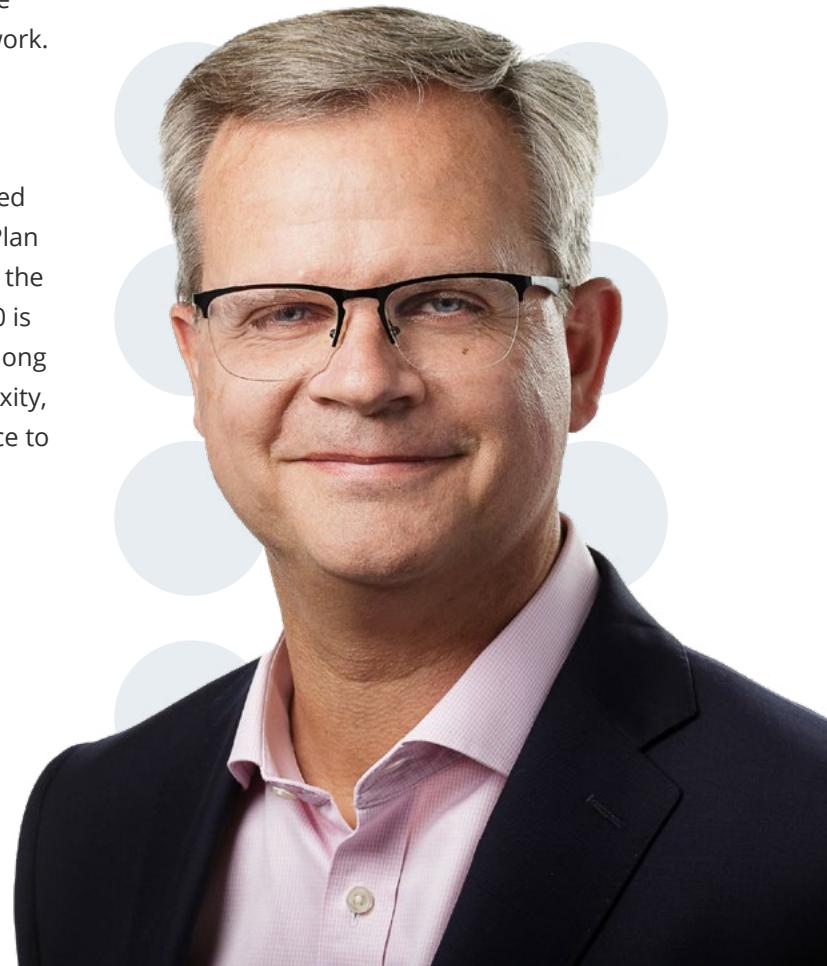
At Unum, we're dedicated to making a difference to employees' lives every day. As a leading UK employee benefits provider, we offer financial protection through the workplace including Group Income Protection, Life Insurance, Critical Illness Cover, and Corporate Dental Cover. We are leading the UK towards healthier, happier, more productive workplaces, but we know we can't lead this journey alone.

Unum is proud to have been invited to join forces with the Government as part of the newly established Vanguard phase to tackle ill-health, established by Sir Charlie Mayfield as part of Keep Britain Working Review's implementation. We believe in the power of prevention, early intervention and rapid rehabilitation to keep people healthy, productive and connected to work. With nearly 3 million lives protected in the UK and a 97% rehabilitation success rate through group income protection, we are already delivering measurable outcomes that support recovery and return to work.

Unum is committed to workplace wellbeing and provides support to both employees and their employers through a wide range of tools designed for businesses of all sizes. This includes Health Plan 360, our new health cash plan designed to meet the needs of the modern workforce. Health Plan 360 is designed to overcome the challenges that have long held back traditional health cash plans – complexity, administration, and increasingly limited relevance to how people manage their health today.

We're proud to support SME leaders to build productive and healthy working environments, and we're calling on the Government to play a more active role in working alongside the insurance industry and alongside SME business leaders to drive forward a productive framework for employee wellbeing.

For employers, strategic planning, workplace culture, and employee engagement can unite to support the evolving needs of today's workforce, but a foundation of supportive legislation and centralised guidance on health and wellbeing practice is essential to drive forward this change.



SMEs are under-prioritising wellbeing despite huge costs

In today's competitive employment landscape, employee benefits play a vital role in supporting the health, wellbeing, and overall engagement of the workforce.

For SMEs, offering meaningful benefits can help attract and retain talent, reduce absenteeism, and create a more resilient and productive workforce.

The evidence is clear: organisations that invest in employee wellbeing typically see stronger staff retention, lower sickness absence, and higher levels of productivity.^{5,6}

Yet despite recognising the potential value of such provision, many SMEs face a complex balancing act.

Rising operational costs, inflationary pressures, and macroeconomic uncertainty often compete for attention and investment, making it challenging to prioritise employee wellbeing over more immediate financial concerns.



01

5. WPI Economics, *Health, Happiness and Productivity Report*, 2023
6. CIPD, *Health and Wellbeing at Work Report*, 2025

Benefits adoption uneven across SME landscape

Our research, based on a nationally representative survey of 2,010 SMEs, shows that most (71%) offer at least some form of employee benefit. Private medical insurance (PMI) remains the most common (22%), followed by cycle to work schemes (18%) and mental health support (18%). But this headline masks sharp differences by firm size:

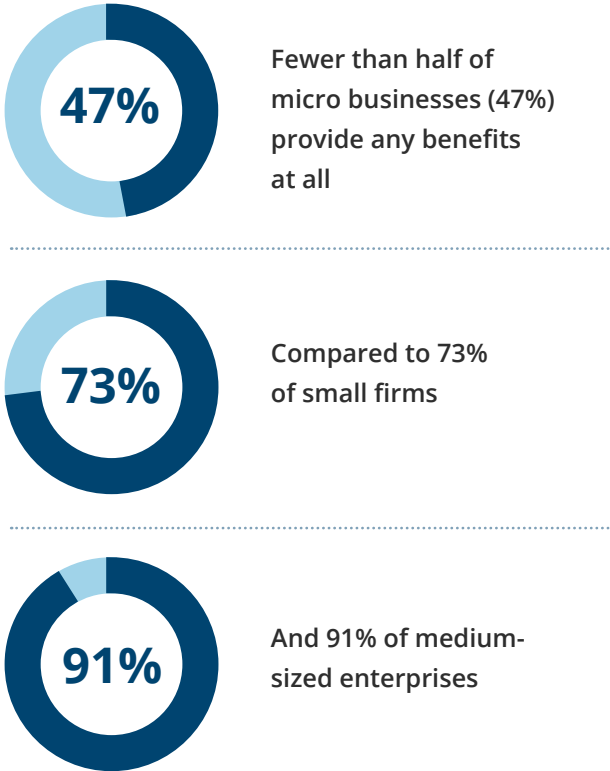
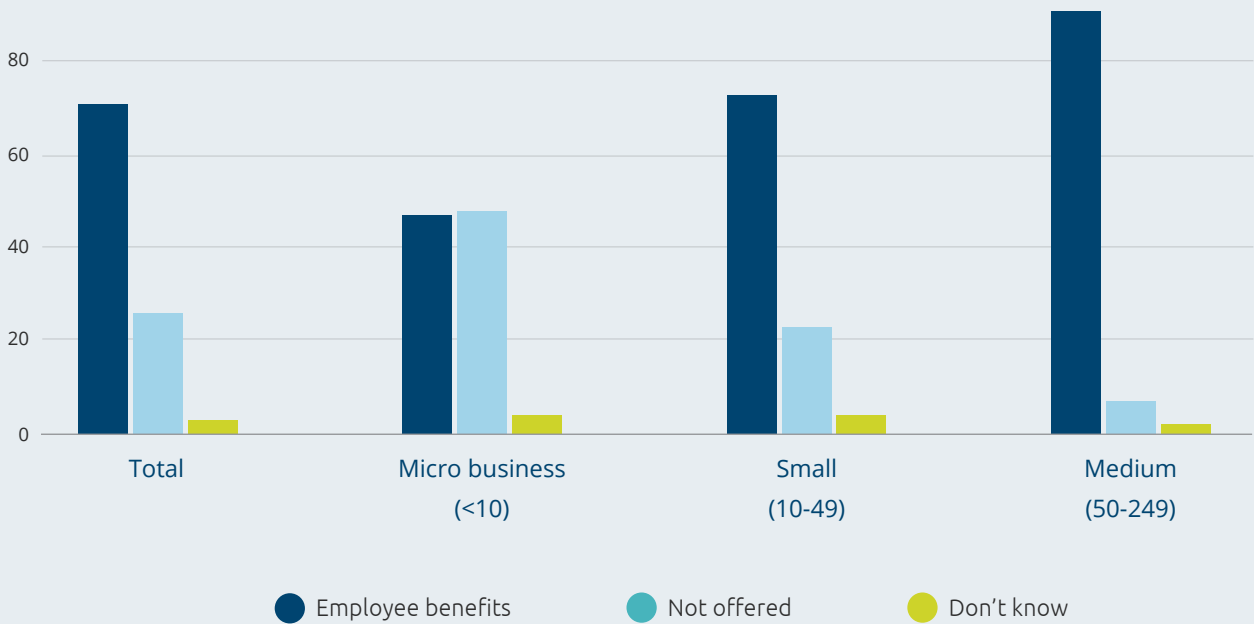


Fig 1: Employee benefits adoption in UK SMEs, by business size



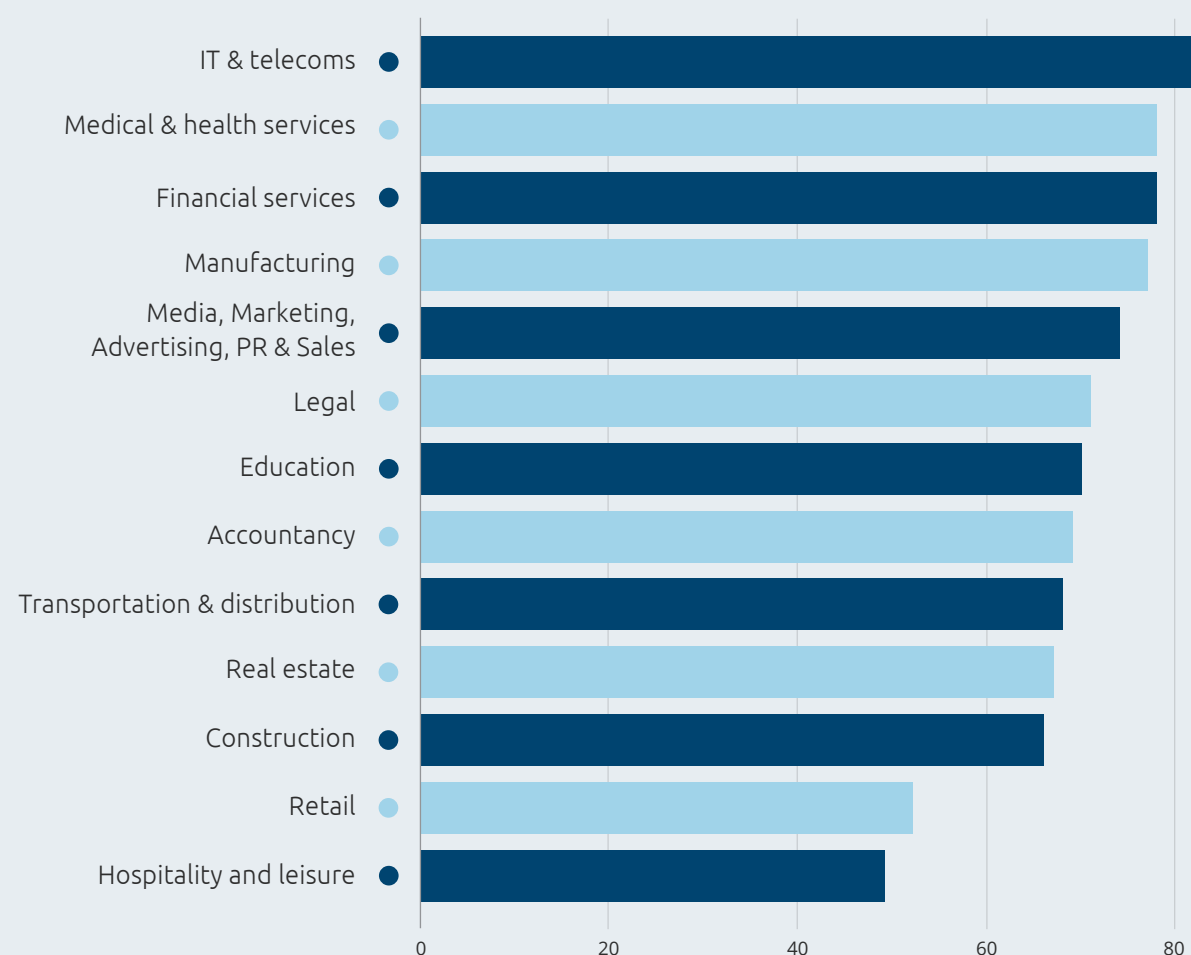
This aligns with wider evidence: for example, research from the Department for Work and Pensions found that while around 70% of SMEs provide at least one wellbeing scheme, uptake falls sharply in smaller firms.⁷ Research from Unum has highlighted that small businesses face multiple constraints (time, resources, expertise) which mean formal wellbeing programmes are less likely.⁸

Adoption of employee benefits also varies sharply by sector: 85% of IT and telecoms firms, 78% of health services providers, and 78% of financial services businesses report offering some form of

benefit. By contrast, provision is less widespread in consumer-facing sectors, where margins are tighter and workforces more transient.

Just over half of retail firms (52%) and fewer than half (49%) of hospitality and leisure businesses offer benefits at all. The result is a striking divide, while staff in professional services are increasingly supported with structured wellbeing provision, large sections of the workforce in lower-wage, customer-facing industries remain without access to equivalent support.

Fig 2: Employee benefits adoption among UK SMEs, by sector



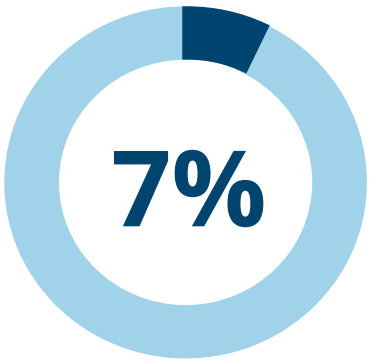
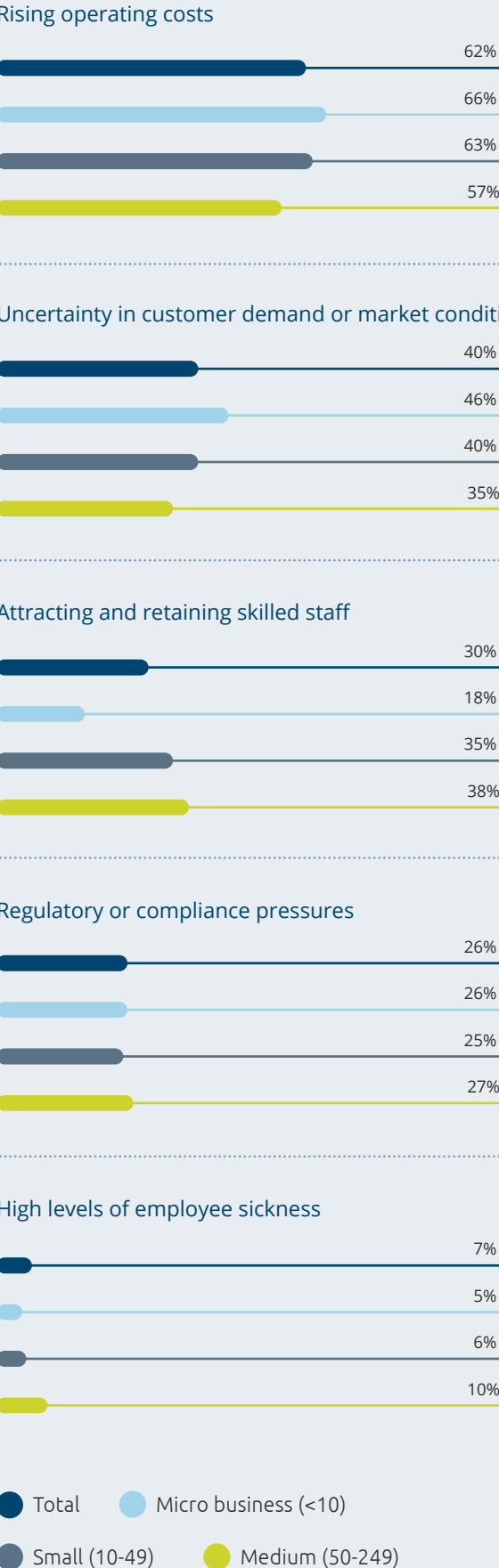
7. Department for Work and Pensions & Department of Health and Social Care, Incentivising SME Uptake of Health and Wellbeing Support Schemes, 2023

8. Original quantitative research conducted on behalf of Unum by Yonder Data Solutions in August 2024 with n=503 key decision makers in employee health and wellbeing (employers) across UK workplaces, with a broad mix of company size, industry/sector, job function and regional location.

Wellbeing: a low strategic priority

Employee wellbeing remains a peripheral concern rather than a strategic priority for most SMEs. Faced with rising operating costs (62%) and ongoing economic uncertainty (40%), many businesses are directing their attention elsewhere. As a result, sickness and staff health rarely feature on the agenda: just 7% of SMEs identified high levels of employee sickness as a concern, despite the clear financial and operational toll this creates.

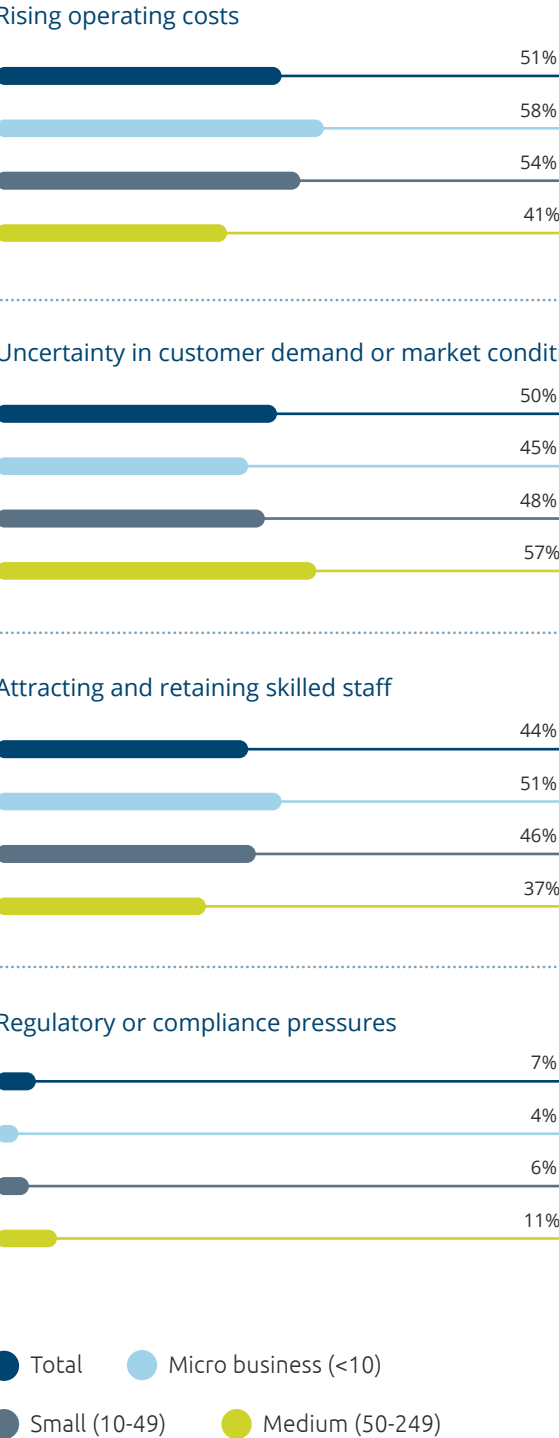
Fig 3: Main challenges faced by UK SMEs



ranked employee health and wellbeing among their top areas of focus over the past year

By comparison, more immediate commercial concerns dominate: marketing and sales (51%), growth and strategy (50%), and managing financial costs (44%). The fact that wellbeing ranked seven times lower than marketing and sales is striking. It suggests that many SMEs still underestimate the extent to which poor health erodes operating capacity in the short-term, and limits productivity and growth over the longer term.

Fig 4: UK SME priorities over the past 12 months and into the next 24 months

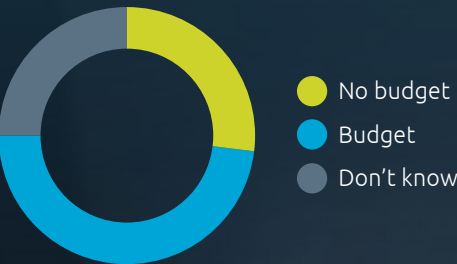


Looking ahead, there is only a modest uplift in focus: just 14% say they expect wellbeing to be a top priority in the year ahead. The majority remain focused on growth-oriented goals like marketing and sales (39%) and technology and infrastructure (25%). This suggests that even as awareness grows, SMEs still see wellbeing as a “nice to have” rather than a driver of productivity.

Budgets lag behind need

The lack of investment closely mirrors the lack of focus. Across the board,

More than a quarter of SMEs (27%), report having no dedicated budget for employee wellbeing.



The shortfall becomes even more striking when accounting for those selecting ‘don’t know’. Our data suggests that up to 52% of businesses may not have a dedicated employee wellbeing budget, rising to 65% among micro businesses. This aligns with wider evidence: CIPD research shows that while 57% of organisations have a wellbeing strategy supported by investment, commitment remains far lower among smaller employers.⁹

Sectorally, Hospitality and Leisure (47%), Real Estate (41%) and Retail (38%) are among the least likely to ring-fence wellbeing budgets, reflecting tighter margins and more variable operating conditions. Regionally, Wales (42%), the West Midlands (37%) and the South West (34%) report some of the lowest levels of dedicated spend across the UK.

Industry insight

“There is a cost to businesses from rising employment expenses that needs to be recognised, particularly as policymakers are also calling on employers to improve support for workers’ health and wellbeing and to do more to attract young people.”

Ben Willmott
Chartered Institute of
Personnel and Development

Fig 5: UK SME likelihood to have dedicated budget for employee wellbeing, by business size

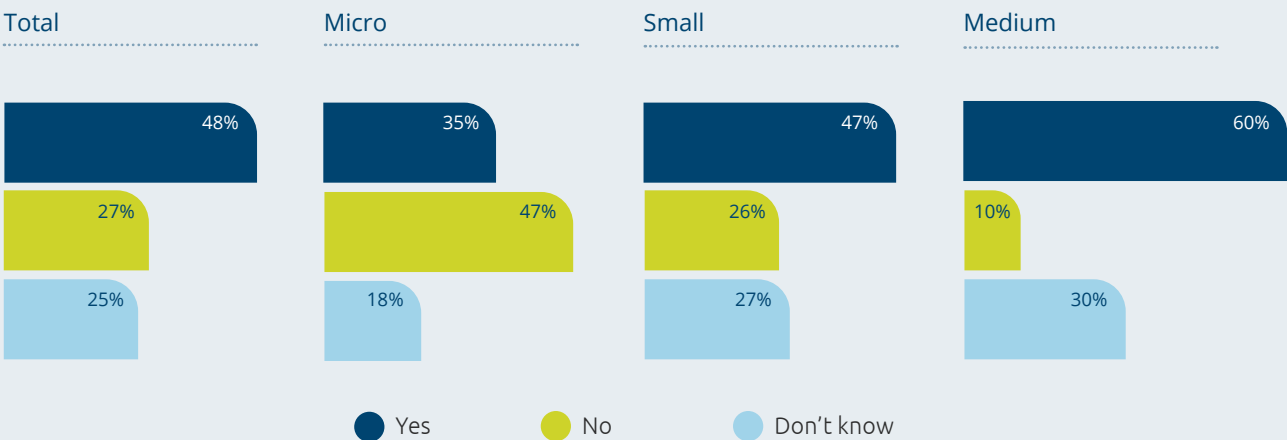
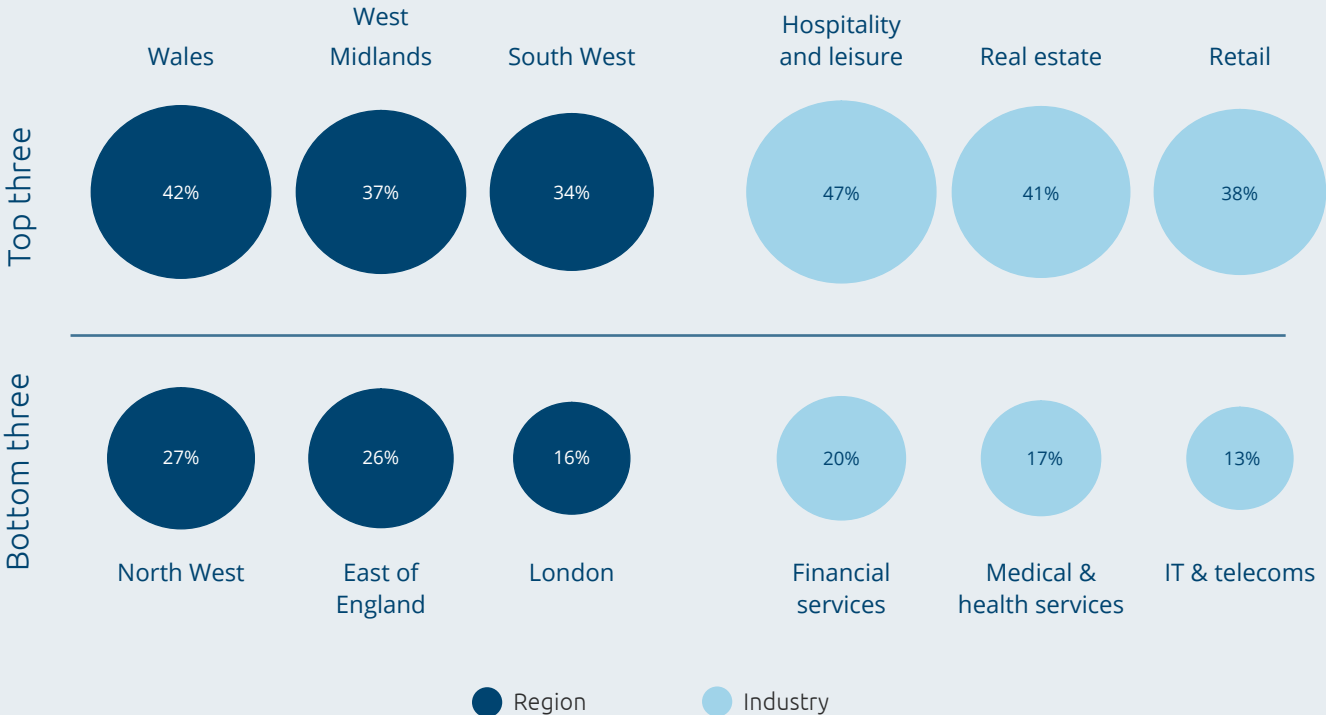


Fig 6: Proportion of UK SMEs without a dedicated employee wellbeing budget, by region and industry



9. CIPD, Health and Wellbeing at Work Report, 2025

Section two

The true cost of poor health

Poor employee health can have a significant and often underestimated impact on SMEs. Absenteeism due to illness can disrupt operations, especially in smaller teams where each individual plays a critical role. According to the Office for National Statistics, the UK sickness absence rate in 2024 was 1.8% in the private sector, rising to 4% among workers with long-term health conditions.¹⁰

Presenteeism, where employees are at work but not fully functioning due to health issues, can also quietly erode productivity and morale. Figures from the Health and Safety Executive show that stress, depression and anxiety accounted for 16.4 million lost working days in 2023/24, while musculoskeletal disorders accounted for a further 7.8 million, with affected employees taking an average of 21.1 and 14.3 days off respectively.¹¹

Over time, these issues can lead to increased staff turnover, higher recruitment and training costs, and even reputational damage if service levels are affected. For SMEs operating with tight margins and limited capacity, the cumulative cost of poor employee health can be substantial, making proactive investment in wellbeing not just a moral imperative, but a business-critical one.

02

10. Office for National Statistics, Sickness absence in the UK labour market: 2023 and 2024, 2025

11. Health and Safety Executive, Working days lost in Great Britain: 2023/24, 2025

Industry insight

“The job of our sector, and of the intermediaries who work in this space, is to explain the wellbeing benefits but also explain the monetary benefits. There is a real return on investment. If you can prevent a lot of sick days through insurance, what that generates in terms of prevented sick days is significant.”

Dr. Yvonne Braun OBE

Association of British Insurers



The financial impact of sickness absence

Our research finds the median financial impact of employee sickness absence among SMEs was £27,964 in 2024/25, equivalent to 1.7% of total turnover. When extrapolated across the SME population, this represents a staggering

£28.9 billion per year in lost output

This figure underscores the macroeconomic importance of SME health and wellbeing strategies, given that SMEs account for 99% of all UK businesses and employ over 16 million people.

Industry insight

“In pure value terms, we can’t afford to just keep being sick all the time.”

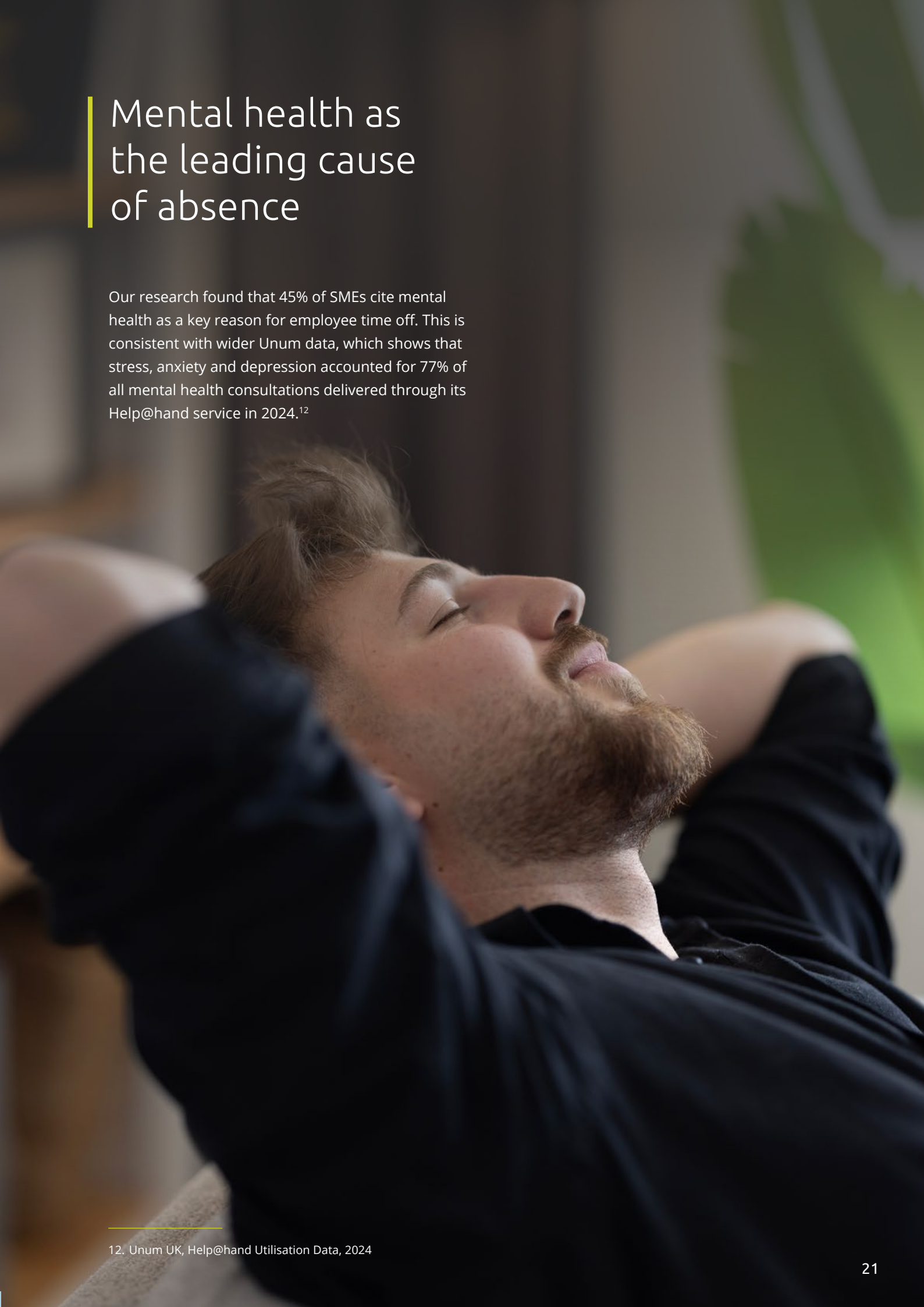
Jordan Cummins
Confederation of British Industry

Fig 7: Median cost of UK SME employee sickness, by region and by industry

Industry / Region (top 3)	Average financial impact per business (nearest thousand)
Finance and Accounting	£118,00
IT & telecoms	£54,000
Legal	£39,000
East of England	£48,000
London	£47,000
West Midlands	£30,000

Mental health as the leading cause of absence

Our research found that 45% of SMEs cite mental health as a key reason for employee time off. This is consistent with wider Unum data, which shows that stress, anxiety and depression accounted for 77% of all mental health consultations delivered through its Help@hand service in 2024.¹²



12. Unum UK, Help@hand Utilisation Data, 2024

Fig 8: Top reasons why UK SME employees take time off work, by business size

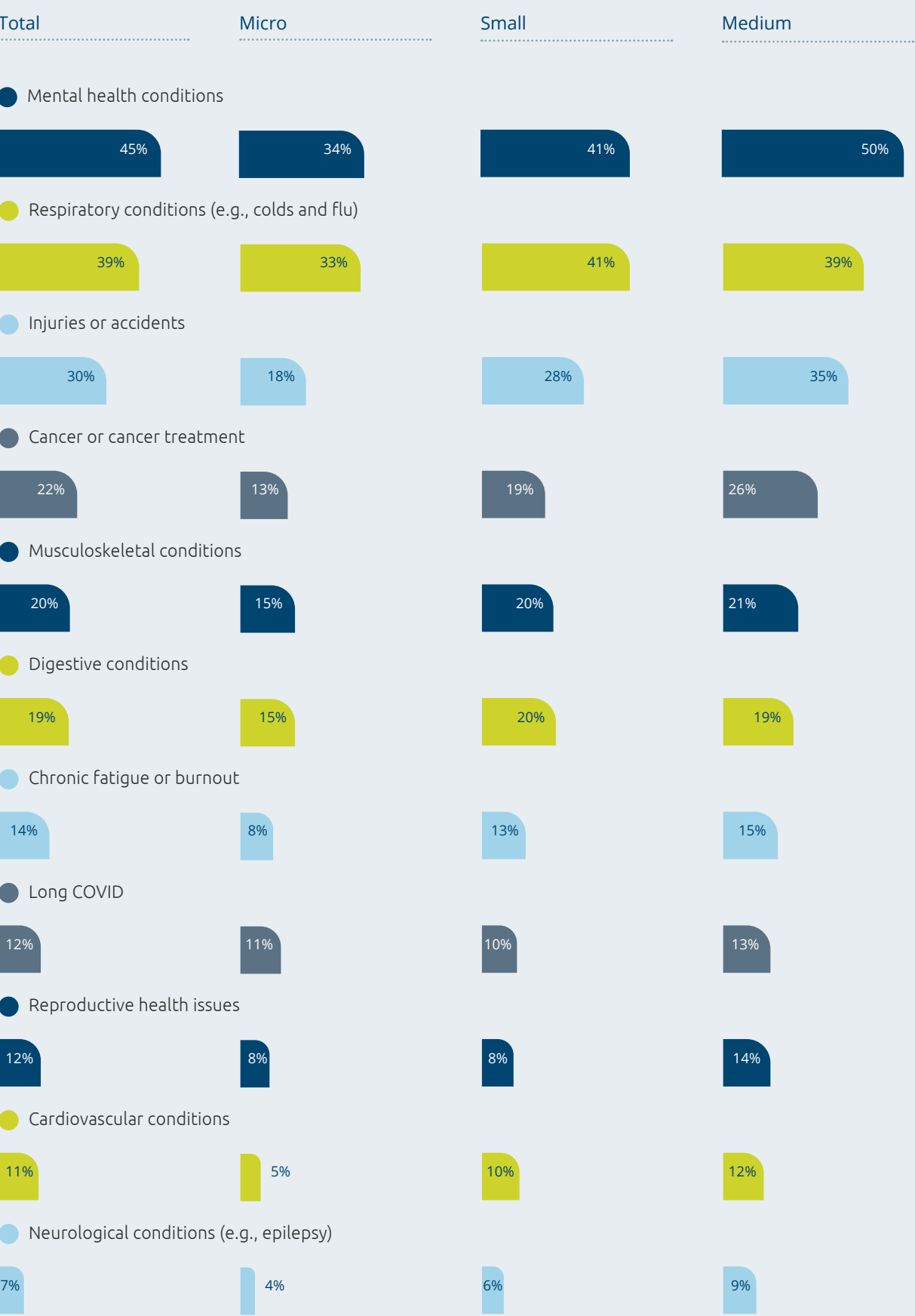


Fig 9: Top reasons why UK SME employees take time off work, by industry

Sector	First	Second	Third
Manufacturing	Mental health conditions	Respiratory conditions	Injuries or accidents
Construction	Mental health conditions	Injuries or accidents	Respiratory conditions
Retail	Mental health conditions	Respiratory conditions	Injuries or accidents
Financial services	Mental health conditions	Respiratory conditions	Injuries or accidents
Hospitality and leisure	Mental health conditions	Respiratory conditions	Injuries or accidents
Accountancy	Respiratory conditions	Mental health conditions	Digestive conditions
Legal	Respiratory conditions	Mental health conditions	Digestive conditions
IT & telecoms	Mental health conditions	Respiratory conditions	Injuries or accidents
Media, Marketing, Advertising, PR & Sales	Mental health conditions	Respiratory conditions	Musculoskeletal conditions
Medical & health services	Mental health conditions	Respiratory conditions (e.g., colds and flu)	Injuries or accidents
Education	Mental health conditions	Respiratory conditions	Injuries or accidents
Transportation & distribution	Respiratory conditions	Mental health conditions	Cancer or cancer treatment
Real estate	Respiratory conditions	Mental health conditions	Cancer or cancer treatment

Barriers to tackling sickness

Despite recognising the issue, SMEs face persistent barriers to addressing employee health effectively. Our research shows that 34% of SME decision makers report that managers are hesitant to discuss mental health for fear of saying the wrong thing. The Keep Britain Working Review Discovery reinforces this, highlighting that many employers lack confidence in managing sickness absence due to concerns about making mistakes or inadvertently triggering tribunals.¹³ Generational differences also complicate matters, 25% of businesses say managers struggle to engage younger employees on wellbeing, while 22% cite challenges in engaging older staff.

Industry insight

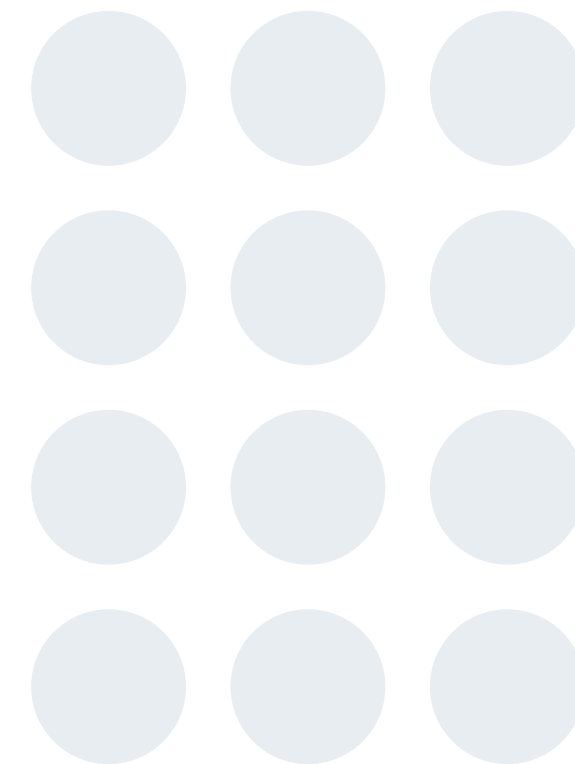
“What employers really need to do is provide support for line managers. We often hear stories that employers, and line managers in particular, are very wary of saying anything. They just don’t know what they can and can’t say, and it’s usually a problem they have never seen before.”

Ron Wheatcroft

Swiss Re

A costly blind spot

Despite the clear financial and operational implications, investment in employee wellbeing remains limited. Most SMEs continue to focus their attention and resources on growth-oriented goals, leaving wellbeing initiatives reactive rather than strategic. As outlined in Section 1: *SMEs are under-prioritising wellbeing despite huge costs* showed, only 14% expect it to be a top business priority in the year ahead. Budgets for wellbeing remain modest, and many initiatives are reactive rather than strategic.



Industry insight

“Employee wellbeing is an enabler for everything else. If you have a healthy workforce, you have a productive workforce, and what you need to do well as a business is have a productive workforce. That’s what delivers... but like our own health, it is so often just taken for granted.”

Dr. Yvonne Braun OBE
Association of British Insurers

¹³. Department for Work & Pensions, Department for Business & Trade, Keep Britain Working Review: Discovery, March 2025

Government policy confusion and frustration

Lack of clarity in government guidance

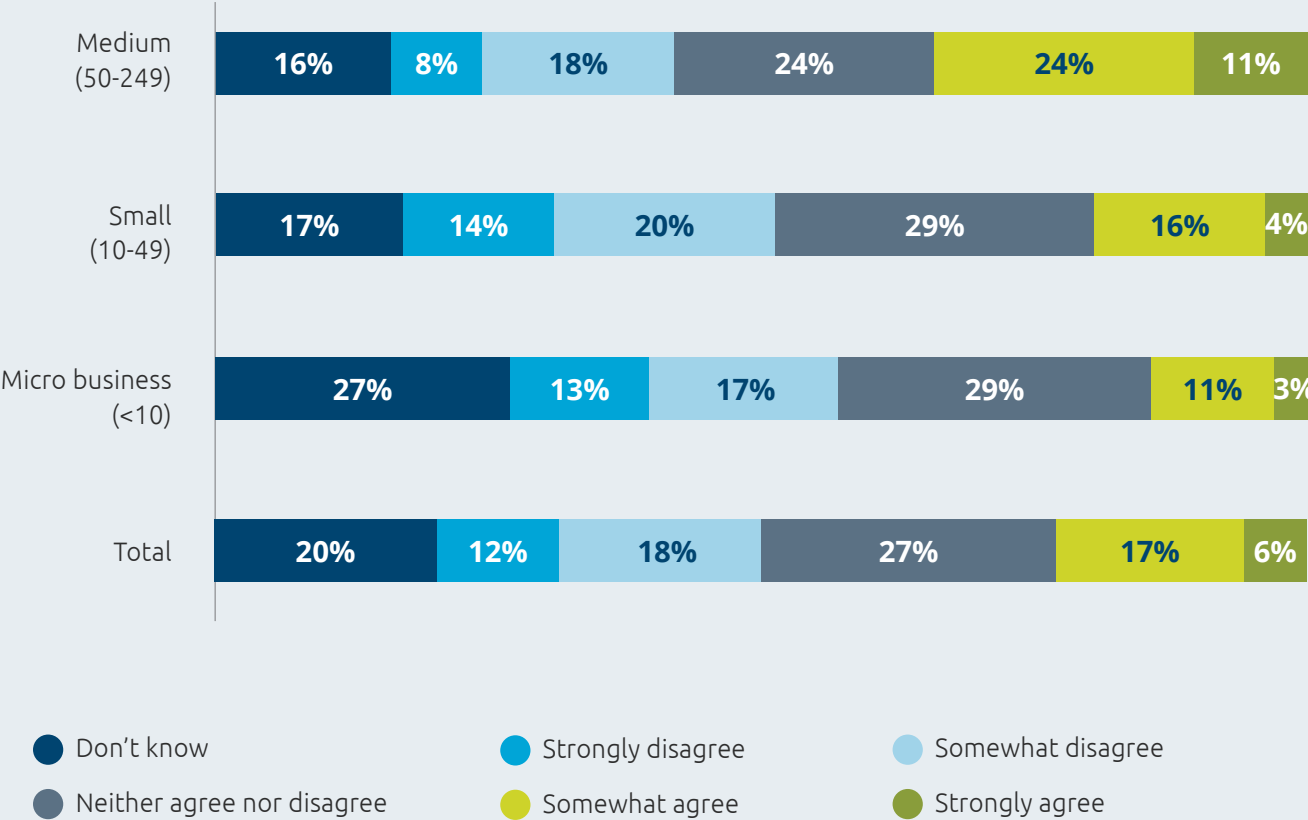
Government guidance on employee wellbeing for SMEs in the UK is well-intentioned but often falls short in terms of clarity and accessibility. While initiatives such as the *Health is Everyone's Business* consultation¹⁴ and research commissioned by the Department for Work and Pensions (DWP) and the Department of Health and Social Care (DHSC)¹⁵ have highlighted the importance of workplace wellbeing, many SMEs report struggling to navigate the available support. A key issue is that guidance is often fragmented, overly complex, or not sufficiently tailored to the realities of smaller businesses.



03

Only 6% of SMEs say government guidance on their wellbeing responsibilities is clear, falling to just 3% among micro businesses. Over a quarter (27%) of micro businesses say they “don’t know” whether current guidance is sufficient at all, signalling a major knowledge gap in a critical part of the SME market.

Fig 10: UK SME wellbeing decision makers’ agreement with “Government guidance on business responsibility for employee wellbeing is sufficiently clear”



14. Department for Work and Pensions & Department of Health and Social Care, *Incentivising SME Uptake of Health and Wellbeing Support Schemes*, 2023
15. Lloyd, N et al, *Workplace Health and Wellbeing in Small and Medium Sized Enterprises (SMEs)*, Int. J. Environ. Res. Public Health 2025, 22(1), 90

A disproportionate burden on employers

At the same time, SMEs are facing mounting cost pressures that are eroding their capacity to invest in employee wellbeing. Employers say they are shouldering the burden of rising labour costs, from higher National Insurance contributions (63%) to increases in the National Minimum Wage (46%).

Many feel this burden is disproportionate: just 15% think current policies support employers, with the majority saying the balance of protections tilts too far towards employees, a sentiment especially strong in hospitality (12%), manufacturing (10%) and retail (8%).

There have been recent efforts by the government to reduce this cost burden, which could allow SMEs to invest in areas like employee health and wellbeing. The increase in the employment allowance, enabling eligible employers to reduce their annual National Insurance liability by up to £10,500 instead of £5,000 “is a huge increase”, according to Chris Russell at the Federation of Small Businesses, “for a lot of businesses this really had an impact”. But there is more work to be done to further ease the cost burden facing SME leaders and to encourage investment into employee health benefits.

Industry insight

“It would be easier for businesses to absorb any additional employment costs if they were also getting proportionate support from government to enable them to adapt... There is a need for government to provide better quality business support services for SMEs and in particular micro and small firms to encourage business owners to invest more in the people side of their businesses.”

Ben Willmott
The Chartered Institute of
Personnel and Development

Confusion on benefits opportunities

There is also frustration at how government support is delivered: 58% of SMEs say government schemes intended to support employee wellbeing are poorly communicated,

58% SMEs agree
that current taxation policies actively hinder their ability to invest in wellbeing initiatives.

Only 17% of SMEs feel confident that government understands the challenges they face.

There’s a clear gap in communications on employee health benefits and government policy reaching SME leaders.

This uncertainty is feeding into decision-making: given the opportunity, 28% of SMEs would not know which benefits to offer, rising to 34% of micro businesses, and almost a quarter (23%) of medium-sized firms. Where employers possess both knowledge of and access to benefit choices, the most popular options are critical illness cover (27%), life insurance (25%), and mental health support (23%).

Industry insight

“There’s a lack of awareness and understanding of what tools and resources are available. A lot of people running these businesses don’t know what approaches are available when it comes to health and wellbeing, and particularly issues like long term sickness and managing disability. There’s a lot of uncertainty around what they can and cannot do, and what they should and shouldn’t do and what is available.”

Patrick Milnes
British Chambers of Commerce

What SMEs want from government

Rising policy pressures on SMEs

For small and medium-sized enterprises, investment in employee wellbeing sits in tension with a government policy environment that has, in recent years, increased costs and administrative burdens.

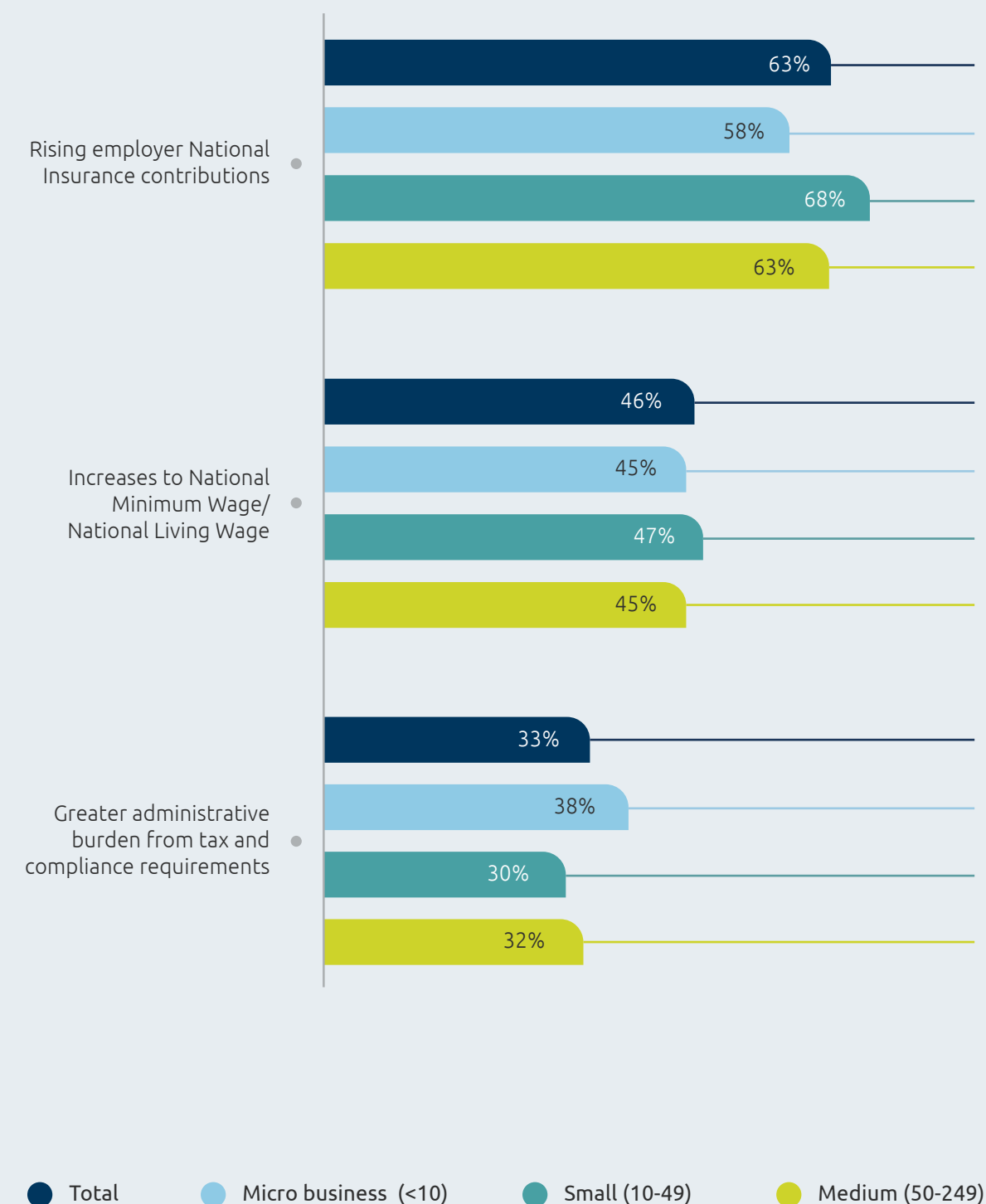
While nearly a third of SMEs (30%) say they value employee wellbeing, most are preparing for retrenchment rather than expansion. The most frequently cited barriers to investing in wellbeing are rising National Insurance contributions (63%) and increases in the minimum wage (46%). Both represent fixed cost pressures that disproportionately impact smaller firms with tight margins.

This mirrors findings from the Federation of Small Businesses (FSB), which has repeatedly warned that increases in employer National Insurance contributions (NICs) and wage-cost hikes are acting as a “tax on jobs” and a key barrier to investment in people.¹⁶

The Institute for Fiscal Studies (IFS) has also highlighted that in 2025-26, the cost of hiring a full-time worker on the National Living Wage (aged 21 or over) will rise by 7.1 % in real terms (10.5 % nominal) compared with 2024-25, more than double the corresponding increase for someone on average earnings.¹⁷ In this context, it is perhaps unsurprising that SMEs tell us wellbeing often feels like a discretionary spend.

04

Fig 11: Impact of government policy on UK SME investment in employee wellbeing, by business size



16. Federation of Small Businesses, [Small business confidence remains sluggish as scale of rising cost crisis revealed](#), 4 Apr 2025

17. Institute for Fiscal Studies, [Combined impact of minimum wage and tax increases may reduce opportunities for young people](#), 2025.

Fig 12: Impact of government policy on UK SME investment in employee wellbeing, by industry

Increases to the National Minimum Wage/ National Living Wage		
Hospitality and leisure	66%	↑
Retail	60%	↑
Manufacturing	56%	↑
Real estate	34%	↓
Financial services	35%	↓
Media, Marketing, Advertising, PR & Sales	29%	↓
Rising employer National Insurance contributions		
Legal	76%	↑
Manufacturing	74%	↑
Medical & health services	70%	↑
Education	60%	↓
IT & telecoms	52%	↓
Financial services	50%	↓

Greater administrative burden from tax and compliance requirements		
Real estate	46%	↑
Transportation & distribution	41%	↑
Finance and Accounting	37%	↑
Hospitality and leisure	26%	↓
Media, Marketing, Advertising, PR & Sales	26%	↓
Retail	27%	↓

The weight of compliance and administration

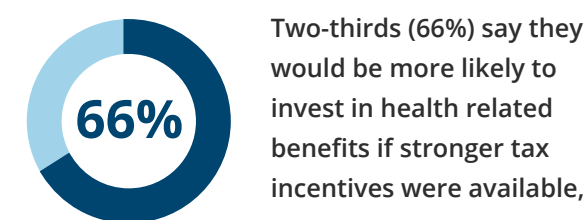
Beyond headline costs, SMEs describe an environment where tax and compliance requirements further limit their ability to invest. One-third (33%) of decision-makers in our study reported that administrative burdens directly constrain their spending on employee benefits. For some, this is about the time required to understand and navigate complex schemes; for others, it is the unpredictability of government policy itself.

Shevaun Haviland, British Chambers of Commerce director-general, has echoed this frustration, arguing that frequent regulatory and legislative change undermines confidence to plan long-term investments in people and skills.¹⁸ In practice, this creates a vicious cycle: SMEs remain reactive, deferring wellbeing investment, while employee health-related costs continue to rise (see Section 2: *The true cost of poor employee health*).

18. Financial Times, “Business cannot ‘carry cost’ of fixing UK workforce health crisis, warns BCC head” 24 September 2025

A willingness to invest if conditions improve

Despite these challenges, SMEs in our research signal a clear willingness to invest more heavily in wellbeing if the conditions were more favourable.



while 57% indicate that a more supportive regulatory environment would encourage investment.

A further 15% say they would boost spending if new Budget support were introduced.

This appetite is consistent with wider evidence. Government-commissioned research finds SMEs want to do more on health and wellbeing but are constrained by capital, time and know-how; modelling shows uptake rises materially when partial reimbursement and advisory support are offered.¹⁹ The business case exists, what SMEs are asking for is the government to tilt the incentives in their favour.

Fig 13: UK SME wellbeing decision makers' perceptions around the government's approach to SMEs



Figures below 3% have been removed

19. Department for Work and Pensions & Department of Health and Social Care, *Incentivising SME Uptake of Health and Wellbeing Support Schemes*, 2023

Communication and trust gaps

Even where government schemes exist, SMEs often struggle to access them. In our survey, 58% of SMEs said that government programmes are poorly communicated, while just 17% feel confident that policymakers understand their challenges. This sense of detachment reinforces a perception that wellbeing support is designed for larger corporates rather than the SME backbone of the economy.

The challenge is not isolated. The British Chambers of Commerce (BCC) recently reported that only 20% of government procurement spend was directed to SMEs, a statistic the BCC uses to argue that “despite the rhetoric, smaller firms do not feel the system is built with them in mind”.²⁰

Meanwhile, the Federation of Small Businesses (FSB) has repeatedly warned that the complexity of support schemes serves as a barrier to small business participation, advocating for what it calls “radical simplification” of government policy communications.

Together, these insights suggest that beyond cost-barriers, the real challenge for SMEs lies in access, clarity, and trust, making it far more difficult for them to move from awareness of wellbeing to meaningful investment.

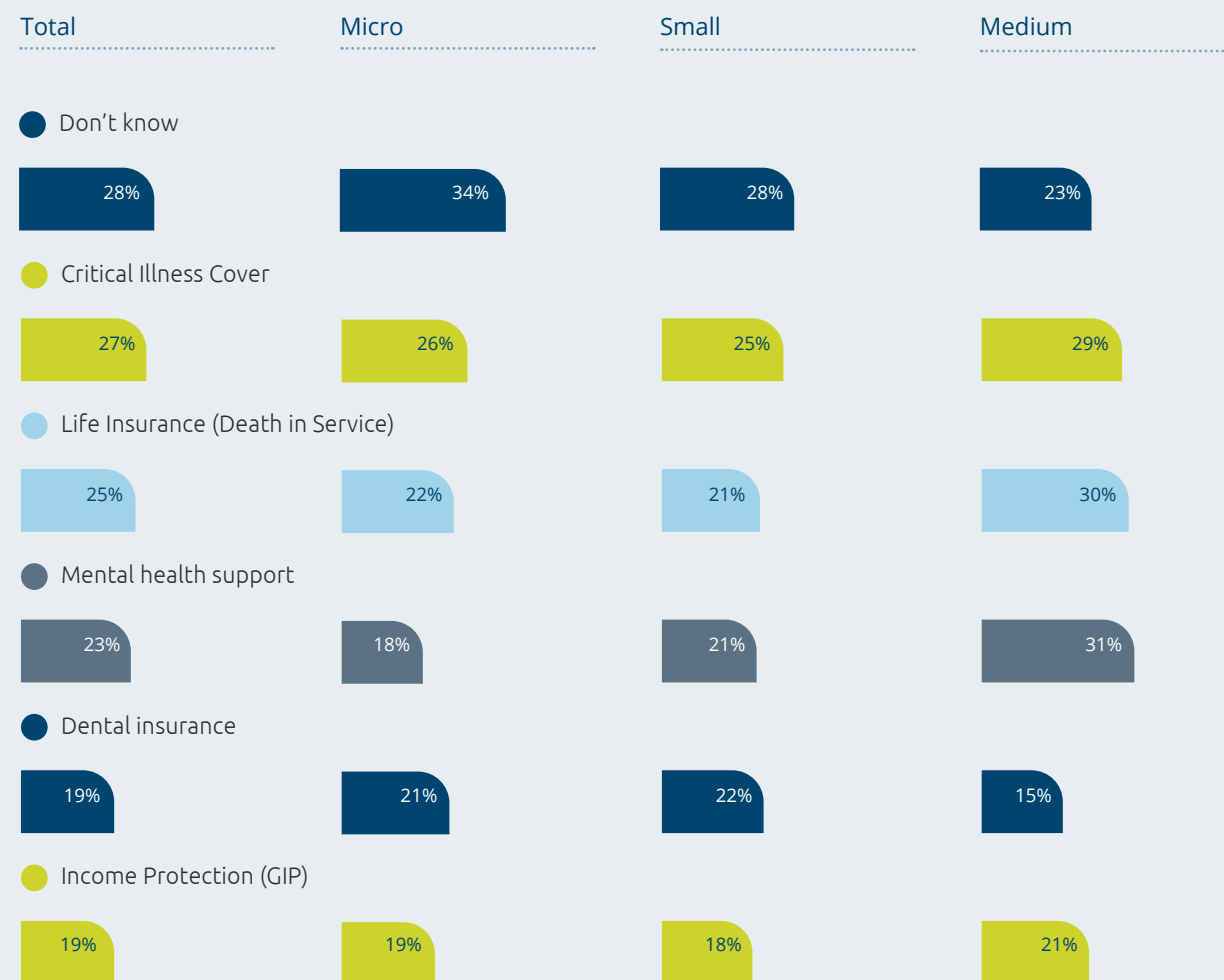


20. British Chambers of Commerce, *Blueprint for Growth*, June 2025

What SMEs would provide with greater support

When asked which benefits they would prioritise if government support were available, SMEs highlighted a mix of financial protection and wellbeing initiatives. The most commonly cited were critical illness cover (27%), life insurance (25%), and mental health support (23%). These are areas where SMEs clearly see both employee value and business protection.

Fig 14: Hypothetical Benefits



However, uncertainty is widespread: 28% of SMEs were unsure what they would provide if given the opportunity, a figure rising to 34% among micro businesses. This suggests that, while there is appetite, many SMEs lack the knowledge or confidence to choose the most effective wellbeing investments.

Industry insight

“There is an expectation that employers will be expected to do more. Based on that, small employers will need to see ways in which they can be supported, because they don't have big HR departments, they're not insurance specialists so, at the very least, they will need access to good information or support services. There are plenty of potential access points to the market, but we tend to think in terms of silos. We'll need to break out of these silos, and that is quite a big challenge.”

Ron Wheatcroft
Swiss Re



Recommendations and Conclusion

Government policy informs SME decision making. With two thirds of SMEs saying they would be more likely to invest in wellbeing with stronger tax incentives, and 57% indicating that a more supportive regulatory and legislative environment would increase their investment, there is a clear opportunity for government engagement in incentivising SME investment in employee health benefits.

Building on the shared responsibility framework for workplace health outlined in the Keep Britain Working Review, these policy recommendations expand on the Health, Happiness and Productivity report to address the specific challenges facing SMEs. Our new research highlights the urgent need for better data on SME decision-making and employee health, the cost pressures confronting SME leaders, and the value of national standards and centralised guidance in enabling SMEs to offer meaningful health benefits. These proposals aim to empower SME decision-makers and, ultimately, foster healthier, happier workplaces across the UK.



| Industry insight

“There needs to be productive conversation to achieve this, otherwise we won’t hit the government aims for long term sustainable growth, if we haven’t got a workforce that’s happy and healthy and able to do their best every day.”

| Patrick Milnes
British Chambers of Commerce



Data collection

Our study has drawn insights on the challenges facing SMEs today, but policy improvement will require ongoing monitoring of the evolving SME impact, and the ability for SMEs to absorb shocks in the short and long term. The government has a key role to play in data collection to understand and better improve SME employee health benefits and ensure SMEs have the resources they need to support their employees.

Industry insight

“We haven’t defined what the baseline of provision in the private sector is. Government has little idea what is offered to private sector employees by private sector employers to make their health and wellbeing better. There’s no kind of common data set for it, and so it is currently impossible to work out whether it’s all effective - this can in turn hamper the role of public policy in making improvements.”

Jordan Cummins
Confederation of British Industry

The Workplace Health Intelligence Unit proposed in the Keep Britain Working review provides a framework for a joint government-industry enterprise that functions as a starting point to gather evidence on the effectiveness of workplace health initiatives and co-design solutions as needed. Ultimately, an intelligence unit such as this should be able to tailor findings to different sized businesses.

Providing SME decision makers with clear data on the impact of employee health benefits can support businesses towards investing in these solutions. Without clear data on the impact of these investments, SMEs with tight budgets struggle to justify the costs. As this report has shown, for smaller more vulnerable businesses, this lack of insurance can put them at significant risk from employee ill health.

Industry insight

“SMEs have the least amount of resource to proactively invest in things that there is no data around efficacy on. They have the least amount of people to set on this task, and they often have the least amount of time because there’s not a lot of slack in the system for small businesses.”

Jordan Cummins
Confederation of British Industry

A tax system built to support health and wellbeing

Health-related insurance products like Dental Insurance and Health Cash Plans (HCPs) should be made exempt from Insurance Premium Tax (IPT) as they make these products, which would often be affordable to SMEs, less attractive. Applying IPT to health insurance penalises individuals and employers seeking to protect health and wellbeing. Unlike home or motor cover - where insurance is linked to a tangible asset and is often discretionary - health cover relates directly to essential care. Treating it in the same way as other insurance types discourages responsible investment in wellbeing and acts as a deterrent on a benefit that could take pressure away from the public health system. Higher IPT can ultimately lead to withdrawal of health benefits, which can result in deferred healthcare and worsening public health outcomes.

Furthering this, this report has highlighted that exempting health insurance, including Group Critical Illness Cover, from income tax and National Insurance Contributions (NICs) in the UK **would incentivise more employers to provide cover**, improving workforce wellbeing and reducing absenteeism.

Industry insight

“A barrier that presents a lot of SMEs and a lot of employers generally using Workplace Health schemes is the level of tax that they have to pay on them. If you review those tax barriers, make them lower, it will remove that barrier for employees to access those schemes, and they’ll be more inclined to participate in some kind of workplace health scheme, health insurance or other benefits. You don’t want employees to be penalised for participating in schemes that are going to promote good health and good work and keep people in work.”

Patrick Milnes
British Chambers of Commerce

Businesses in the UK currently face **double taxation issues related to Group Income Protection (GIP)** benefits and premiums when these are offered through Optional Remuneration Arrangements (OpRA), also known as salary sacrifice schemes. Such barriers can discourage SME facilitation and provision of GIP benefits, with negative consequences on employee wellbeing.

Prior to 2022, HMRC allowed sickness benefits from salary-sacrificed GIP to be non-taxable, avoiding double taxation - but has since changed their position. These rules should be reassessed to encourage employer provision of GIP benefits.

| Industry insight

“It is unfortunate that, when we are looking at wellbeing and long-term sickness, the tax system effectively results in double taxation when a contribution is made by the employee through salary sacrifice.”

Ron Wheatcroft

Swiss Re

Mandatory national standards

Moving towards mandatory national standards for workplace health and wellbeing, supported by an accreditation framework would ensure consistent action by employers. This approach would embed health-promoting practices into workplace culture, reduce inequalities, and drive accountability. Annual data collection should underpin these standards, enabling continuous improvement and reinforcing the government's commitment to keeping people healthy and in work. Voluntary schemes may complement this by supporting early adopters and sector-specific innovation.

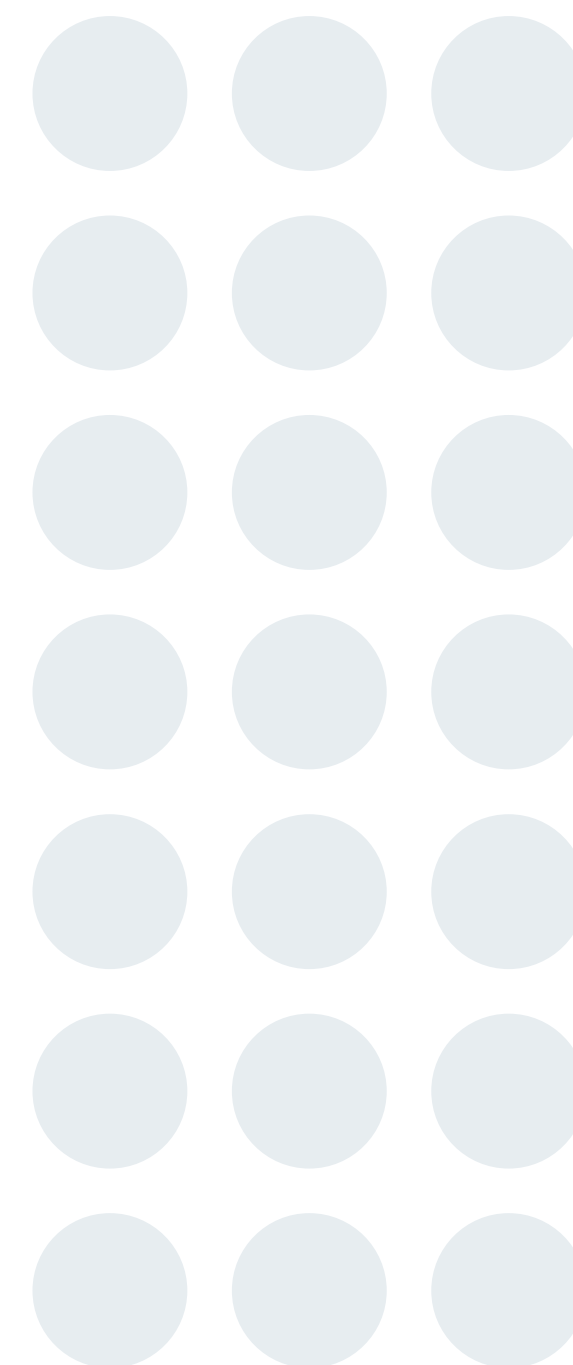
The Keep Britain Working Review's proposal to develop a voluntary certified standard by 2029 marks a promising first step forward. With better data collection and a robust evidence base, this framework has the potential to evolve into mandatory national standards that drive consistent, measurable improvements in workplace health and wellbeing.

| Industry insight

“A lot of micro businesses want someone to say ‘this is what you need to do. This is what would be helpful’, ‘here’s clear guidance to help this person with the health issue they have and what you should be doing as an employer’, and I don’t think that really exists.”

Chris Russell

The Federation of Small Businesses



Centralised guidance

The government has an important role to play as a **central, unbiased source of information** for SMEs on health protection plans and to provide guidance on best practice to protect and promote employee health and wellbeing.

Only 6% of SMEs say government guidance on their wellbeing responsibilities is clear, falling to just 3% among micro businesses. With over a quarter (27%) of microbusinesses also saying they “don’t know” whether current guidance is sufficient at all, this signals a major knowledge gap in a critical part of the SME market.

Clearer signposting to information on the value of employee health benefits can help remove the confusion that prevents SME leaders from investing in these vital protection plans.

Educating businesses about the range of protection options available to them is crucial, as our research has indicated a clear information gap in SMEs across the UK.

The financial intermediary has an important role to play in providing direct advice to business leaders, but small businesses face confusion in identifying and contacting financial advisers to guide their decision making. The space is opaque, indicating a clear role for the government to provide centralised signposting for small business leaders to financial advice.

| Industry insight

“There’s a big serviceability problem. Financial advisers are hard to find—most employers find out through their peer group who they should go to for this kind of support. It would be hard to set up a company this afternoon and immediately go find a financial adviser, and that’s wrong.”

| Roy McLoughlin
Protection Distributors Group

A healthy, growing economy requires a healthy, engaged workforce. Successfully supporting that workforce requires collaborative engagement from small business leaders, health benefits providers, and the government.

These recommendations provide a starting point to rebalance the pressures facing small and medium-sized businesses across the UK, to bring forward a future SME landscape where employees and employers have the support needed to invest in employee health, building a strong foundation to drive forward productivity, workforce engagement, and growth across the UK.

| Industry insight

“What the government can do, and should do, is encourage employers to consider these benefits.”

| Roy McLoughlin
Protection Distributors Group



| Methodology

This report is based on a survey of 2,010 UK business decision-makers, all of whom are employed within organisations with 3-249 employees. The survey was conducted online during the fieldwork period of 31st July – 14th August 2025. The figures presented from the online surveys have been analysed independently by Unum. The views expressed here are not the views of YouGov.

To ensure robust and meaningful insights across the UK business landscape, quotas were set across key industry sectors. This approach allows for detailed analysis of the findings by sector and supports a deeper understanding of how SME approaches to employee wellbeing vary across different parts of the UK.



Business size	N
Micro business (fewer than 10 employees)	666
Small (10 to 49 employees)	660
Medium (50 to 249 employees)	684

Region	N
North East	54
North West	197
Yorkshire and the Humber	115
East Midlands	131
West Midlands	147
East of England	134
London	456
South East	341
South West	180
Wales	83
Scotland	129

Industry	N
IT & telecoms	263
Manufacturing	232
Construction	179
Retail	166
Hospitality and leisure	133
Financial services	132
Media, Marketing, Advertising, PR & Sales	120
Medical & health services	75
Education	73
Transportation & distribution	71
Real estate	55
Legal	71
Accountancy	55

Additional data is available upon request.



Take the next step

We're a specialist employee benefits provider, leading the way towards healthy, happy places to work. We offer financial protection through the workplace including Group Income Protection, Life Insurance, Critical Illness, Health Cash Plan and Corporate Dental cover. We're committed to health and wellbeing in society, so we help businesses build wellbeing strategies that make a difference to employees and their families.

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