NATIONAL SALARY PACKAGING

THOUGHT LEADERSHIP PAPER

The Retention Lever Already Sitting in Your Payroll System

Why employee financial wellbeing belongs in your workforce strategy, not just your payroll run.

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EXECUTIVE SUMMARY

Every leader in this sector has had to say no to a pay rise they wished they could give. Funding caps make that inevitable, and it is rarely a reflection of how much an organisation values its people.

What is less well understood is that a lever capable of increasing what staff take home is already sitting inside the payroll system, without touching the wages budget. In many organisations it has quietly become a transactional payroll function rather than part of how people are looked after.

This paper argues that salary packaging, implemented well, is one of the most powerful and currently underused retention tools available to not-for-profit leaders, and that it deserves a place in workforce strategy, not just in payroll administration.

The Cost Already Sitting in the Budget

Every time an experienced employee resigns, an organisation loses far more than a role on the roster. It loses experience, relationships with the people it serves, team stability and a piece of its culture.

The replacement process then adds recruitment advertising, interviewing, onboarding, training, reduced productivity, increased management time, and very often agency staffing while the vacancy remains.

Agency staffing provides an essential service, but it comes at a significant financial cost. It is also a cost that rarely gets consolidated into a single figure on the workforce dashboard, so it is rarely seen for what it is: the price of turnover.

The budget for retention already exists. Right now, much of it is being spent on agency staff instead.

None of this is anyone's failure. Funding caps and award constraints mean wage increases are often simply not available as a retention lever. The more useful question for a leadership team is not "how do we find more money for wages?" It is "are we making full use of the tools we already have?"

A Lever Hiding in Plain Sight

Salary packaging is one of those tools. Not-for-profit, charitable and public benevolent institution employers have access to concessional tax treatment that allows eligible employees to increase their take-home pay, without touching the wages budget. It is already embedded in most payroll systems in this sector.

Yet in many organisations it has quietly become a transactional payroll function, or a vehicle finance product, rather than a genuine part of how people are looked after. Many eligible employees never fully understand what is available to them. A benefit that could meaningfully ease cost-of-living pressure goes largely unused.

Most staff don't leave because the benefit wasn't there. They leave because nobody ever sat down and showed them what it was worth.

This is where the blind spot sits. Executive teams and HR routinely track turnover and absenteeism as indicators of workforce health. Very few track benefit participation at all, even though it sits upstream of both.

What Changes When Participation Is Measured

Working with an aged care provider, the clearest lesson was that the opportunity was never about selling more finance products. It was about participation.

Education became proactive instead of reactive. Managers became engaged. Employees received individual consultations rather than waiting to enquire. Participation increased because employees finally understood the value already available to them.

Salary packaging shifted from a payroll deduction to a visible part of the employee experience. That change did not require a restructure or a new budget line. It started with leadership deciding the number mattered, and asking for it.

Why does the number matter so much? Because of what has to happen for it to move.

Where Retention Actually Starts

When an employee sits down with someone who shows them, in their own numbers, what their employer's benefits are worth to their household, two things happen at once.

The first is financial. Their disposable income improves, without a pay rise ever being requested or funded. During cost-of-living pressure, that difference is felt at the checkout and in the mortgage repayment, week after week.

The second matters just as much. They feel valued. A personal conversation about their financial wellbeing says, more clearly than any values statement on a wall, that their employer is invested in their success. It improves confidence. It reduces financial pressure. And it changes how an employee answers the question every recruiter will eventually ask them: why would you stay?

National culture research bears this out. BPA Analytics found the top reason aged care employees stay is love of the work itself, while the top reason they consider leaving is pay, security and conditions. Financial pressure, not lost passion, is what ends most care careers, and financial pressure is the one driver an employer can ease without a bigger wages budget.

Retention does not start with a counter-offer on the way out. It starts with an employee who understands exactly what they have, and feels valued because someone took the time to show them.

That is the mechanism worth understanding. Participation is not an administrative statistic. It is a measure of how many employees have had the conversation that starts retention.

Three Questions for Your Next Leadership Meeting

No one on the executive team needs to become a salary packaging expert. Three questions, asked of whoever owns the employee benefits relationship, are usually enough to start:

- What proportion of our eligible employees are actively using the financial benefits available to them, and how does that compare with our turnover?
- Is education about those benefits proactive, built into onboarding and offered through individual consultations, or does it rely on employees knowing to ask?
- Does employee financial wellbeing appear anywhere on our workforce dashboard, or does our reporting stop at turnover and vacancy rates?

When Structures Change, People Notice

The same thinking applies during mergers and structural change, which are increasingly common across the sector.

Differences in salary packaging arrangements, employee benefits and payroll processes between merging organisations create real financial uncertainty for staff. Unmanaged, that uncertainty contributes to exactly the turnover a merger can least afford.

Employee financial wellbeing and benefit continuity belong in workforce due diligence and post-merger integration planning. Not as an afterthought once the transaction is complete.

A Shift in Thinking

Perhaps the sector has been asking the wrong question.

> ***Instead of asking: "How do we attract more staff?"***
>
> ***We should also ask: "Are we making full use of what we already offer the people who stay?"***

Salary packaging will not solve a workforce crisis on its own. Competitive wages matter. Leadership matters. Culture matters. Professional development matters. Financial wellbeing also matters.

But few levers can increase what employees take home without requiring an equivalent increase in what the organisation pays out. And almost none of them are already sitting inside the payroll system, waiting to be used well.

A Challenge for Leaders

> Imagine if every eligible employee in your organisation fully understood the financial benefits available through their employer.
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> Imagine if every new employee received a personal financial wellbeing consultation during onboarding.
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> Imagine if your leadership team measured benefit participation alongside turnover, and treated it as the leading indicator it is.

That is the standard the sector should pursue.

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> **Because salary packaging has never really been about cars. It has always been about people. And when we help people build stronger financial futures, we help organisations build stronger, more stable workforces.**

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nationalsalarypackaging.com/turnover-calculator or scan the code.

Todd Kerr is Director of National Salary Packaging, an Australian-owned salary packaging provider working exclusively with employers to maximise employee benefits and improve workforce retention.