

Employee Benefits: One Size No Longer Fits All

OVERVIEW

Across the developed world, leading businesses are facing new workforce productivity challenges. Many recent graduates lack the skills necessary to succeed in today's quickly changing workplace, while economic uncertainty has forced many experienced workers to delay their retirement. Companies need to consider the impact of these trends and the ways they can differentiate themselves as they wage the battle to find and retain top talent.

Winning the battle for talent is about more than compensation. To remain attractive to multiple generations of current and future employees, businesses are shifting focus to a broader array of benefits. A healthy person at the beginning of their career, for example, is more likely to want flexible benefits that support an independent lifestyle. In contrast, a long-time employee that is nearing retirement is more likely to favor a more predictable structure weighted towards retirement savings.

The reality is that there will be five generations of employees sharing the workplace by 2020, and the best places to work will be defined by their ability to meet the increasingly diverse needs of their entire workforce.

So what can employers do to ensure they are offering a competitive range of benefits that attract and retain the best talent?

IN DEPTH

Workplaces are evolving, and not always in ways that support business goals. Employee trust in employers is at an all-time low, according to the Aon Workforce Mindset Study™, and one-third of employees are seeking to change jobs in the next year.

With populations aging and the pool of local, fresh talent stagnant, businesses can't afford to ignore these realities. They need to develop innovative ways to attract and retain talent, including workplace flexibility, according to the Workforce Mindset Study.

Benefits packages in particular stand out as one area that can be made more appealing.

Craig Dolezal, Senior Vice President, Aon, believes that offering a wider range of benefit choices tailored to each generation's needs can become an important differentiator for attracting and retaining this talent.

One model that could become a powerful vehicle for achieving both these aims is through what Dolezal calls "a total rewards exchange" – where an employee gets to create their own benefits package, prioritizing compensation, bonuses, time off, medical, dental, wellness and child care among other rewards.

Essentially, it's like creating "a marketplace where people can make their own decisions about how they want to be compensated," he says. "Whether they want life insurance at this level or they'd rather have it in a sabbatical. It's up to them to decide."

Learning From Health Exchanges

Such an arrangement can appeal to prospective employees who desire greater individual control over their benefit options and care choices. But according to the Workforce Mindset Study, employees also want to see more honesty and transparency from their leaders, which ranks as their number one suggestion. Further, consistent with other aspects of their life, they expect to be able to access information on their benefits when and where they want.

Mike Christie, Senior Vice President, Exchange Market Strategy at Aon, says that health exchanges, which are becoming popular in the US, represent a significant step in this direction. Private health exchanges are competitive marketplaces where consumers can shop across multiple products often from multiple providers in an efficient manner. Their purpose is to combine cost-accountability with meaningful control over health benefits for individual employees. They also arm employees with information to make smart choices based on their health needs, and tools to evaluate their options.

“What the health exchange does is in a very overt way show employees what the employer contribution allows you to purchase,” Christie says, so it brings more cost transparency about what the company’s contribution provides them.

New thinking about benefits

The high-cost of health care in the United States is one of the key drivers of the private health care exchange market. But the US experience with private health exchanges does have potential applications in other countries.

Today’s workforce is more global and diverse than ever before. In almost every country in the world, there is a greater range of age groups, ethnicities and nationalities, as well as more women, more people working remotely, and more hiring in other countries and time zones.

“Private exchanges give employees a wide range of options so they can decide which plan is best suited for them,” Christie says, and this has broad appeal in markets around the world.

In the competition for talent, businesses offering benefits that employees crave is only part of the challenge. Businesses should consider using a more consumer-driven benefits approach to incentivize healthy behaviors and encourage people to make smarter choices about the health insurance, supplemental benefits, and retirement products that they need to prepare and protect themselves and their families for the future.

For example, strong retirement packages might have greater appeal to people in their 60s than to people in their teens and a working parent might prioritize child-care, while someone just beginning their career could be interested in tuition reimbursement. For many, a balance of reward options is a precondition for employment, and as the battle for talent becomes more competitive, perks such as travel vouchers and even free lunches could become differentiators.

The Future of Employee Rewards?

At a time when skills shortages are on the increase globally, and workforce demographics are changing, 70 percent of employers say they are going to be revising

their total rewards strategy to accommodate the changing needs and demographics of their workforces in the next five years, according to the Aon 2015 Health Care Survey.

Applying the health exchange approach to employee benefits could prove a valuable model for rethinking how to administer these benefits. It can “take away a lot of the corporate decision making employers have to do when trying to choose the right plans,” Dolezal says, allowing organizations to focus their energies on value creation rather than administrative functions. Employers can also find significant cost savings through this model because of the reduced in-house administrative burden.

By giving employees more choice, an exchange-style approach answers the increasing demand for benefits flexibility from employees. By expanding this approach beyond health care to a fully flexible benefits offering, organizations can offer a rewards package that meets the needs of employees as individuals, rather than attempting a one-size-fits-all approach.

“We actually think that will be the next wave of innovation,” says Dolezal. “Moving beyond healthcare exchanges to total rewards marketplaces.”