Thinking smarter

Insight into employee benefits from HR decision makers

September 2016

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About the survey

We interviewed 100 senior HR professionals across a range of business sectors and sizes in 2016.

38 of the interviewees had a reward/benefits focus to their role while the other 62 had a broader HR role including benefits. 36 were from organisations with 1,000 or more employees and 43 were from organisations with fewer than 500 employees. 51 were from the services sector, 25 were from Technology, Media and Telecoms (including pharmaceuticals) and 24 were from production and/or manufacturing.

We would like to thank all those who took time to contribute to our research and hope readers find the results, analysis and insight of value for the evolution of their employee benefits strategies and packages.

What's on offer now?

36%
Operate an online benefits scheme

44%
Have a formally defined strategy for their approach to employee benefits

78%
Allow employees to make contributions using salary sacrifice

80%
Offer a health and stress management or "well-being" programme

93%
Provide fixed contractual benefits

41%
Give employees access to Total Reward Statements (either online or paper format)

53%
Operate a segmented multi-tiered approach to benefits

55%
Conduct regular employee engagement surveys to provide feedback on benefits available

52%
Currently or will look to use technology to communicate with employees

70%
Will use mobile or tablet technology to deploy benefits to their employees

Thinking smarter

The one minute takeaway

54% believe employee benefits are moving up the business agenda. Most HR decision makers believe that employee benefits need to be:

76%
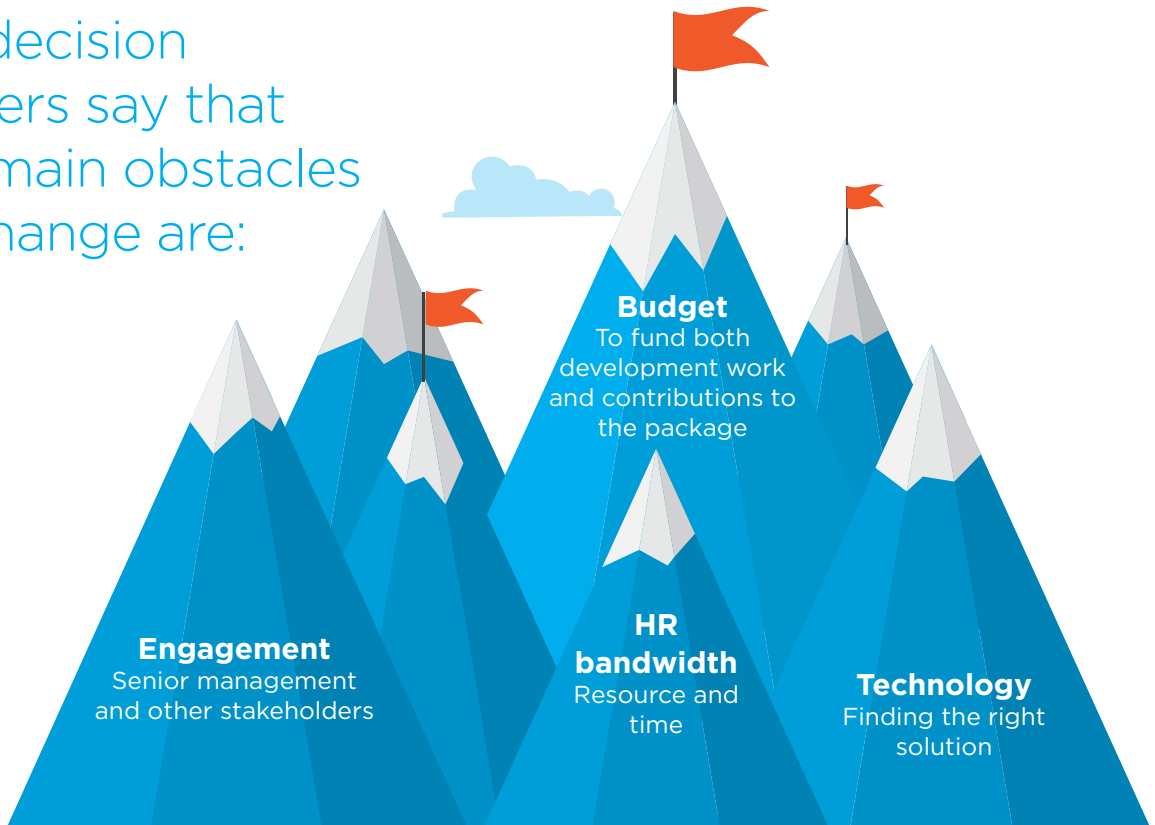Measurable

80%
Future proofed

90%
Aligned with business strategy

Most also believe that their organisations have some way to go in order to make that so.

HR decision makers say that the main obstacles to change are:

Budget
To fund both development work and contributions to the package

Engagement
Senior management and other stakeholders

HR bandwidth
Resource and time

Technology
Finding the right solution

What are the most common short-term priorities?

+ Our viewpoint

HR professionals believe technology – especially mobile technology – will play an increasing role in the delivery of employee benefits and pensions. But our experience shows us different organisations have differing needs and are moving at different speeds to their peers.

Improving the employee user-experience when accessing benefits through the use of technology is a key focus.
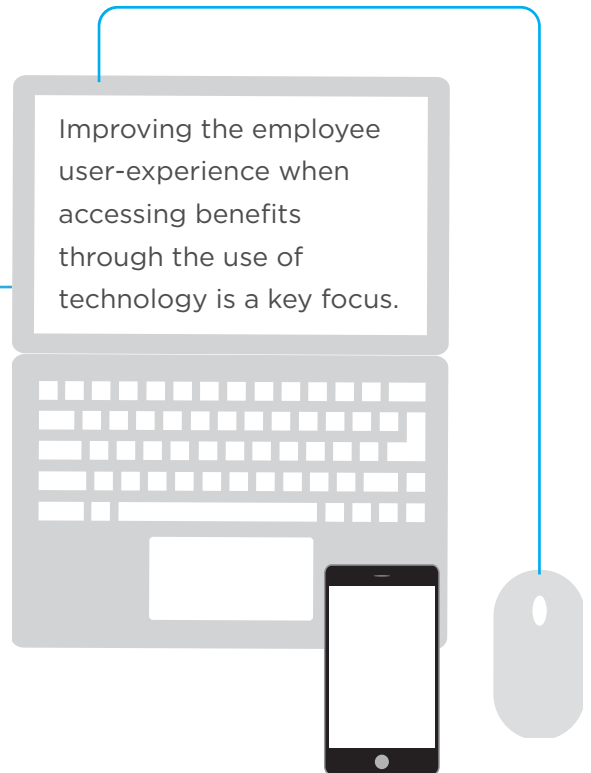
Meeting the future diverse needs of a varied employee demographic

Dealing with pension changes and knock-on effects for employee benefits

Employee well-being and mental health

+ Our viewpoint

"Thinking smarter" – including learning from those professionals we interviewed for this report – is the best way to overcome these obstacles.

There is clearly a desire among decision makers to **build and improve** *on the current 'state of play'. For many organisations employee benefits is gaining profile.*

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Moving up the agenda

54% of the HR professionals interviewed said employee benefits had moved up their organisation's business agenda over the last two years. This is on top of 26% who said it had not moved but was already high on the agenda. Only 3% said employee benefits had slipped down their organisation's business agenda.

What is driving this?

For the 80% of companies have benefits high on their agenda, three drivers stand out as being 'very persuasive':

- That the organisation needs to be seen as supporting its people – cited by 48% of respondents

- That the organisation needs to be market competitive – cited by 43%

- That the organisation needs to become a more attractive employer by increasing benefits choice and flexibility – cited by 41%

+ Our viewpoint

Many smaller organisations tend to have a HR generalist who has to deal with everything from executive pay to smaller benefits like childcare vouchers. As part of an organisation's growth plans they need to really consider a dedicated benefits, pensions and reward resource to meet business needs and expectations.

+

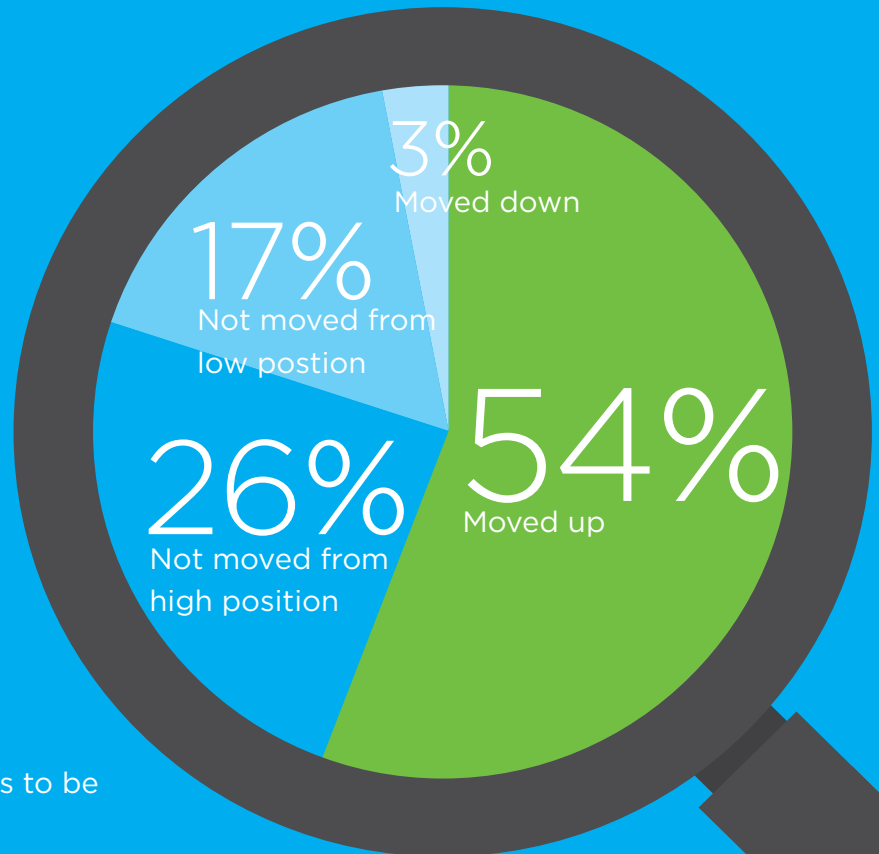# Where have employee benefits been on your business agenda over the last two years?

Drivers:

48%

The organisation needs to be seen as supporting its people

43%

The organisation needs to be market competitive

41%

The organisation needs to become a more attractive employer by increasing benefits choice and flexibility

3%
Moved down

17%
Not moved from low postion

26%
Not moved from high position

54%
Moved up

Moving up the agenda

Within this context, the majority of interviewees believe that employee benefits should not only be aligned with business strategy, but be measurable and future-proofed (see opposite).

Aligned with business: 90% of interviewees said it was important that the employee benefits package is closely aligned with the organisation's overall business strategy.

Measurable: 76% said it was important that the organisation is able to measure the contribution made to the business.

Future proofed: 80% said it was important that the organisation's employee benefits package is 'future proofed'.

However, looking at these three strategic aims of business alignment, measurability and future proofing, interviewees' satisfaction with how well they are delivering against these aims is not matched by how important they believe they are.

Indeed, only 16% of interviewees were able to say they were satisfied across all three of these strategic objectives, and 61% were less than satisfied with their approach or performance for two or more of the objectives.

Nonetheless, there is a relatively high level of satisfaction for the range of benefits and their alignment to the needs of employees.

What are your most important strategic objectives?

Aligned with strategy

Employee benefits package aligned with the overall business strategy

90%

48%

Measurable

Ability to measure contribution to the business made by employee benefits package and initiatives

76%

22%

Future proofed

Employee benefits package is future proofed

80%

44%

Believe is important

Satisfied with their organisation's performance

16%

Were satisfied across all three of these strategic objectives

61%

Were less than satisfied with their approach or performance for two or more of the objectives

+

How well aligned is your package to your employees' needs?

43%
Gave high scores for the range of benefits offered to employees

81%
Want to focus on aligning benefits with employee needs and demographic

+ Our viewpoint

Clearly most organisations believe there is **more they need to achieve** *in order to meet their objectives in the provision of employee benefits. However not many we spoke to felt that measurables had been agreed before setting out on changes to employee benefits packages.*

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Paying attention

Overcoming obstacles

What is holding HR professionals back from making the changes they believe are necessary to improve their organisations' approach to employee benefits provision?

At the top of the list is budget: 67% cited lack of budget to fund development work for making changes and 64% cited lack of budget for funding the required contribution levels to the benefits package. Four further issues stand out:

- HR bandwidth – lack of management/manpower within the HR/benefits team

- Technology – IT/infrastructure constraints

- Senior buy-in – lack of senior management buy-in for change

- Business case – the difficulty of putting together – or successfully making – the business case for change

Unprompted, interviewees mentioned other obstacles and challenges. These include:

- Noone having sole responsibility for employee benefits (especially in smaller HR teams)

- The organisation's lack of appetite for change

- Trying to find/source new benefits

- Dealing with the challenge from management of why change is needed

- Prioritisation of change

- Diversity of workforce

- Whether employees really take on board what they are told

Interviewees shared what they had learnt from trying to address their employee benefits changes. The overriding feedback was the need to 'think smarter'.

+

What is holding HR professionals back from making changes?

At the top of the list is budget:

67% Cited lack of budget to fund development work for making changes

64% Cited lack of budget for funding the required contribution levels to the benefits

+ Our viewpoint

Successfully developing an organisation's approach to employee benefits requires decision makers to be creative in the way they present the argument for change; the speed at which change is introduced; and the way in which new benefits initiatives are managed.

Thinking smarter

What constitutes thinking smarter at the strategy/planning phases? Here is what the decision-makers said:

Finding the right arguments

The case for initiative needs to clearly show how they will benefit the senior managers and business to attract the management and show the least possible impact on their business and management.

Approaching the business early

Give lots of time before decisions have to be made. Lots of consultation and ensure the business case is put together in such a way that it demonstrates the value added.

Using benchmarks to add value to the business case and including solid/ accurate data

I realise you need to sell the initiative to senior management. I would carry out more research and get solid facts and figures and ensure we understand exactly how the initiative would benefit the employees and the business.

Being realistic about what is achievable, how long it takes and what can be expected of others

Getting others to prioritise our activities is sometimes an issue and the learning point is being more realistic about what others can deliver for you.

We visited other companies to see their packages and then assembled a business case with that evidence of what we needed to do. That was a better way in.

Undertaking background research for understanding the needs of employees

Identifying and communicating the benefits of change

We need to make a better case for the initiative proposed by communicating the benefits of the proposal before the company takes a leap of faith.

Looking to run smaller projects with shorter timescales

We are totally geared to delivering projects on time in our everyday work which means we don't have the time to spend on projects internally. So I've learned that, being so time limited, we need to choose those projects that can be executed with the minimum amount of time and money.

Looking for alternative arguments if success does not happen initially

Revisit the budget and look at the arguments for the initiative and try to find a clearer or different angle or tactic to persuade the management and prove the need for spending more.

Getting to grips with technology and the hurdles required for implementing packages with a technological element

Don't underestimate the time and effort it takes to change your technology or implement new technology.

Showing/ ensuring the least negative impact on the business

We need to ensure we put forward a cost effective plan whereby the good impact on employees is high but the cost to the business is low. It's no good just trying to introduce a whole host of benefits. It is better to concentrate on a few specifics – something neater that will give the most for the money. Basically we need to think smarter.

Being prepared to grab the opportunity for change when it arises

The desire to change something and senior management's willingness to listen and do it will occasionally meet. You need to be prepared to grab the opportunity.

Our viewpoint

Given the challenges that have to be addressed, the development process is often very much a 'journey' - a process of evolution rather than revolution, involving a series of 'small steps' each taken in a manageable way, rather than more significant step changes in scope and approach.

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Current and future priorities

Interviewees outlined their current and longer-term priorities for employee benefits.

Pensions are unsurprisingly the highest priority, but other issues, such as developing their organisation's approach to employee well-being and mental health, and enhancing the 'user experience' for employees accessing or engaging with their benefits, were also frequently cited. New technology for enhancing the delivery of employee benefits is seen by nearly half of the interviewees as being likely to be a high priority for them in the longer term (for an additional quarter of interviewees it already is).

These current and longer term priorities suggest new challenges ahead for HR and benefits teams across the UK. There is broad (at least two-thirds of interviewees) agreement on the focus on these challenges:
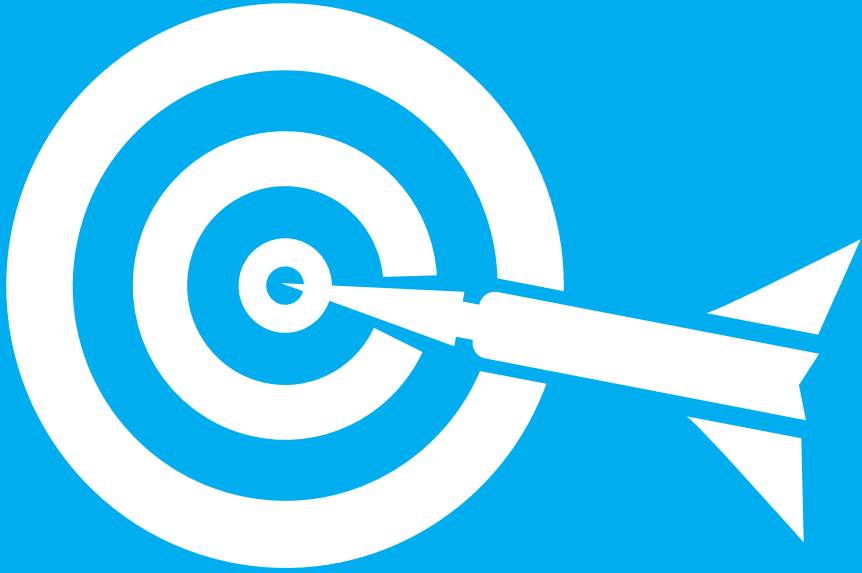
- Aligning the employee benefits package to employees' needs and demographics

- Making the business case for specific initiatives

- Measuring the contribution and effectiveness of specific initiatives

- Future proofing the employee benefits package

- Aligning the employee benefits package with the overall business strategy

What are your current and longer-term priorities?

47%

12%

41%

Pension changes and knock-on effects for benefits

40%

14%

46%

Employee well-being and mental health

33%

13%

54%

Enhancing the user experience

24%

29%

47%

Exploring new technology for delivery of benefits

■ Currently high priority

■ Likely to be a longer-term priority

■ Not expected to become a priority

Our viewpoint

Improving the user experience is a current or future priority for 87% of interviewees, and 70% will look at incorporating new technology as part of their solution.

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Project processes

Most interviewees were more comfortable with their project processes than they were with their employee benefits strategy.

There was a significant minority (22%) who were less than satisfied with how they kicked off the project. This, along with engaging with key stakeholders too late, was a key reason identified in projects stalling. However, once the project was up and running, there was high satisfaction with the execution, communication and effectiveness.

Based on a 1-10 scale, 56% of interviewees expressed satisfaction (or better) for all process elements.

56%

of interviewees expressed satisfaction (or better) for **all** process elements

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How satisfied are you with your project processes?

1 |———————————————————————————| 10

22%
were less than satisfied with the scoping/planning stages of their most important employee benefits project of the last two years

1 |———————————————————————————| 10

89%
were satisfied (or better) with post launch follow-up communication

1 |———————————————————————————| 10

88%
were satisfied (or better) with execution of the launch

1 |———————————————————————————| 10

87%
were satisfied (or better) with stakeholder management

As with the strategic and planning issues, the key learning points for good processes is again "thinking smarter". Here is what the decision-makers said:

Getting stakeholders on the same page at outset and managing expectations

Key to a project is to have close involvement from everyone involved, especially the stakeholders. But also to build a team of experts in house from the different areas: finance, payroll, HR, insurance and legal, so that all the key disciplines are on board and singing from the same hymn sheet.

Identifying potential issues through early planning and strong methodology

It was very difficult to plan because there were union negotiations. It was incredibly time-consuming and expensive to get the decisions agreed. I would probably have a more detailed specification next time.

Allowing for realistic time frames

Think through any new initiative and ensure there is enough time to carry it out. Talk to those involved with implementing the initiative right at the start so any problems or potential issues can be addressed and their input valued.

Getting the right partners or providers

It is essential to find/select the right partner to work with from the outset. For our business we must have a partner that is robust in its flexibility and has automated processes as much as possible.

Getting the infrastructure in place and ensuring the technology will work (via a trial if necessary)

I would plan and get the infrastructure in place, including the technology, much earlier – and make sure all the teams involved are fully aware of what they have to do and are prepared well in advance.

You have to be realistic and that is perhaps what we weren't - that's where I think a project manager could have been firmer in terms of the reality of the time it was going to take. If I did this again I would take someone out of the day job to project manage it.

Having a dedicated project management resource

Ensuring constant, timely and simple communication to employees and other stakeholders

The most important thing is keeping all the stakeholders on board through the whole process and you can always do that better.

Ensuring you get feedback

The importance of planning and follow up – continue to refresh and remind people, keep communication flowing and getting feedback.

✚ Our viewpoint

We are seeing an increased number of tenders being issued by organisations when it comes to any new or change to existing employee benefits initiatives. Often this review and selection process can take 3 to 6 months, however a number of organisations have not been through a thorough business case, to really think about the impact and needs (to the organisation and to its employees), and what the measure of success will be.

Measurement

With three quarters of interviewees saying measurability is important for employee benefits packages, but even more admitting they were dissatisfied with their organisation's approach to benchmarking and measurement, we explored which types of measurement organisations had undertaken over the previous two years.

The majority had undertaken a range of measurement/benchmarking approaches including reward surveys, market reviews by external providers, employee engagement surveys, benefits participation rates, and staff absence and turnover levels.

18% of interviewees' organisations had tried to use a return on investment (ROI) calculation in the previous two years to assess the business case for a new employee benefits project or initiative. Projects where an ROI calculation had been attempted or at least explored included: group income protection, share plans, flexible benefits portal, salary sacrifice scheme, lifestyle hub scheme and a cycle-to-work scheme.

Interviewee quotes:

"Calculating the ROI by balancing spend on benefits against retention and recruitment to ensure the spend doesn't outweigh the costs."

"We have been trying to assess the benefit of introducing ROI in terms of staff engagement in line with the cost of implementation."
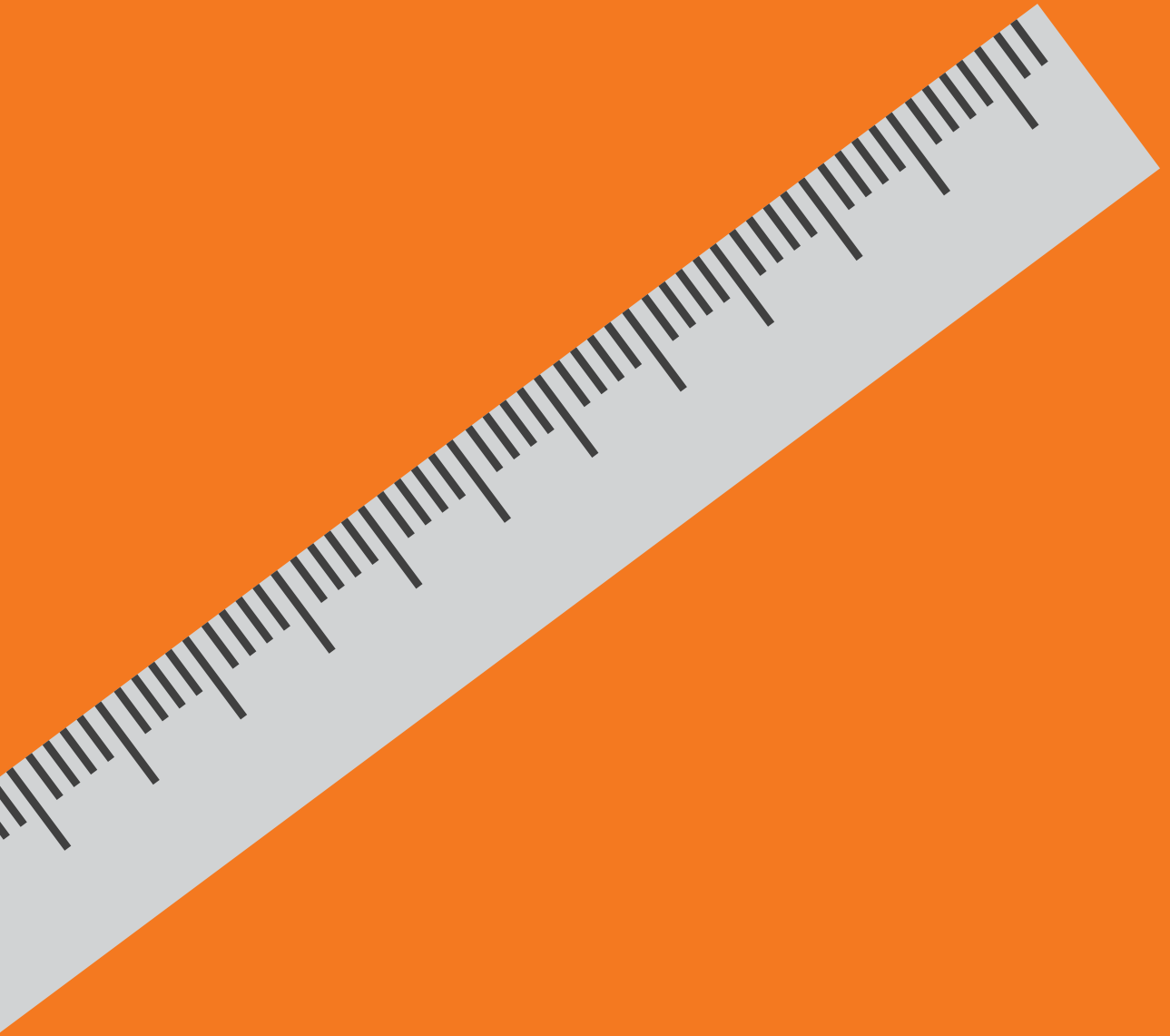
Which types of measurement have you undertaken over the last two years?

69% Measurement information from an external data provider

65% Staff turnover levels

62% Market reviews by external providers

61% Employee engagement surveys

59% Benefits take-up rates

51% Absence recording

18%

Had tried to use a return on investment (ROI) calculation to assess the business case for a new employee benefits project or initiative

+ Our viewpoint

Despite the relatively high level of 'activity' in the area of measurement, most organisations have not identified a structured way of using the information available to them to provide the basis for measuring the contribution made by their employee benefits package. In many cases, organisations are missing the opportunity to make a link – for example, employee surveys often do not include specific questions on benefits.

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Improving employee well-being

Developing a better understanding of the contribution made by employee benefits now will increasingly be required to support the business case for change in the future. Whilst organisations are currently utilising a range of potential benchmarking or measurement tools, most are yet to establish a formalised or structured approach.

Enhancing the focus on mental health and employee 'well-being' will continue to be one of the developing areas of focus for organisations. Over the coming years we will see how quickly this evolves at employer level as the gap in between what is provided and what is needed when it comes to mental and physical well-being offered by the NHS widens. Employee well-being has a direct impact on whether an organisation can achieve its business objectives.

86%

of interviewees see mental health and employee well-being as a current or near-term priority

+ Our viewpoint

While physical health and safety in the workplace remains deeply ingrained in the culture of UK plc, more recently there has been a growing focus on mental health and employee well-being. Even among the 86% who see this as a current or near-term priority, very few feel they have done all they need to do in this area. We believe a holistic approach in this area will support a happy, healthy workforce.

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Embracing technology

Mobile/tablet based applications for employee benefits are being embraced by the majority of interviewees, with 7% already using or exploring the technology, 41% very likely to do so soon and a further 29% fairly likely to do so.

Online interactive analytics and modeling, and online interactive communication (such as web chat and videos) are also popular.
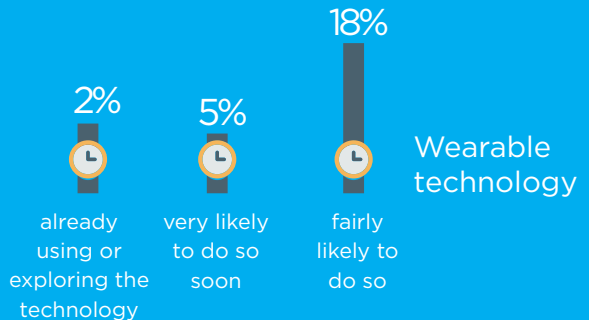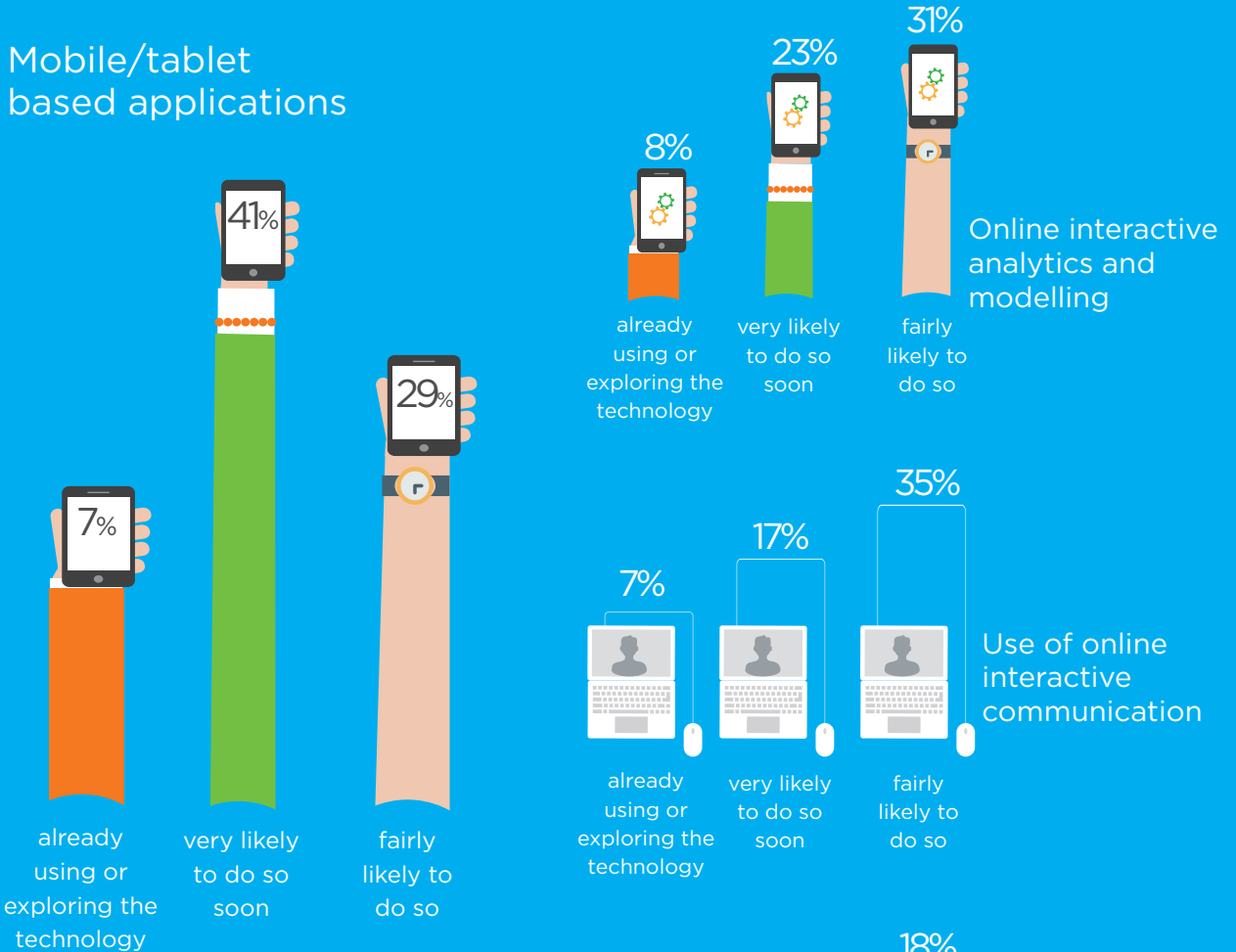
✚ Our viewpoint

One in three interviewees want to improve their employees 'user journey' through their pensions and benefits decisions as a current priority for their organisation. Facilitating improved access to information and modelling tools will support better education in this area.

Technology will allow organisations to better cater for their demographic. Marketers use technology to monitor their customers' behaviour, and use this data to motivate customers to spend more. HR are now adopting this approach when it comes to their employee benefits package - offering a more targeted/relevant benefits package without increasing administration.
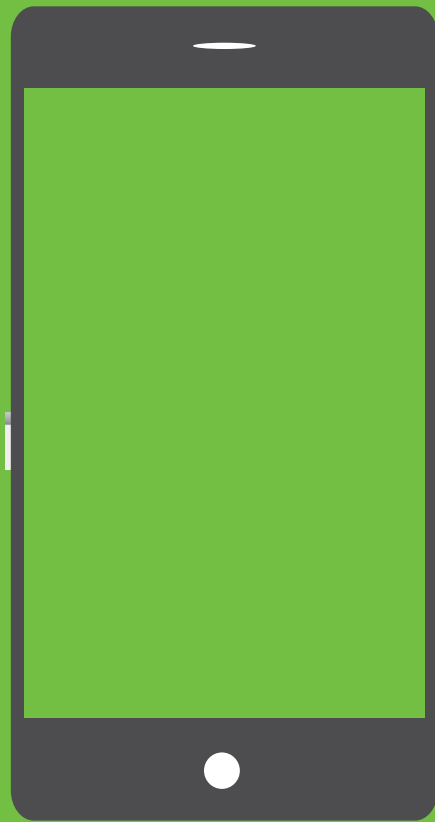
How likely are you to embrace technology to support your benefits package?

Mobile/tablet based applications

41%
already using or exploring the technology — 7%
very likely to do so soon — 41%
fairly likely to do so — 29%

Online interactive analytics and modelling

already using or exploring the technology — 8%
very likely to do so soon — 23%
fairly likely to do so — 31%

Use of online interactive communication

already using or exploring the technology — 7%
very likely to do so soon — 17%
fairly likely to do so — 35%

Wearable technology

already using or exploring the technology — 2%
very likely to do so soon — 5%
fairly likely to do so — 18%

+ Our viewpoint

In the past organisations have tried to segment employees and their benefits needs and wants by age or work location. For example, by assuming that 20-somethings are not interested in pensions and 50-somethings worry about pensions and health. But this is too simplistic. Employers need to apply segmentation intelligently and making sweeping assumptions is dangerous. Technology, and a reduction of costs in this area, allows employers to offer a more relevant package to their people.

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Decision-makers suggested a number of ways in which new and emerging technology could impact them and the provision of employee benefits within their organisation:

Improving the user experience and financial education

There is an enormous opportunity that is provided by the right kinds of technology enabling employees to interact with their benefits provision, whether that is through making a claim or more modeling tools, both in the workplace and, importantly, outside the workplace. Employees tend to think about these things, with their families, and simply having a fantastic intranet system is not sufficient.

Developing a more appropriate approach for mobile employees

Technology is the way forward and as our employees are spread out we will probably have to use it a lot more in the future.

Supporting the move towards a flexible benefits approach

Technology will allow for greater opportunities to move towards a flexible benefits package.

Enabling improved communications and segmentation

I would like us to be a little more sophisticated in the segmentation of communications and streamline how the information is presented.

Employee empowerment

I'd like to move to where staff are taking on more accountability for their benefits – having direct access – so they are able to build their own package not just expecting HR to do it for them.

Improving journeys via signon/ single signon process

The ability to deliver something to a mobile phone is likely to be the driver going forward rather than the company style interface portal because not everyone has access to a computer. The future will enable us to deliver things we can't do at the moment.

Reducing internal administration and the less use of paper

We need to be less paper based and more online based with our benefits packages as this will cut down on cost and give our employees more ownership of the benefits and a better understanding of them.

Allowing for easier feedback on benefits packages

Technology is really going to aid communication which is essential to the delivery of the employee benefits package. It will allow better access to the package and improve understanding of the benefits available and how to access them.

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Dipa Mistry Kandola

Head of Flexible Benefits Service

Dipa helps employers with their benefit packages, including salary sacrifice, specifically in relation to strategy (including stakeholder buy-in), design and developing a coherent communication plan. Technology will play an increasing role in the delivery of employee benefits and pensions and Dipa can help you find the right solution for your business and people.

Aiden Coloe

Partner

Aiden helps clients achieve strategic change and to consider whether their benefit programmes actually assists the delivery of the organisation's wider strategic objectives. Stakeholder engagement and management is key and Aiden uses his skills and experience in this area to ensure that change achieves its objectives and is delivered on time.

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#lcpthinkingsmarter

LCP is a firm of financial, actuarial and business consultants, specialising in the areas of pensions and benefits, investment, insurance and business analytics.

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