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Developing an Equitable Approach to Global Benefits

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Harmonizing employee benefits may help multinational employers improve workforce and organizational well-being while also producing cost-saving synergies.


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Is your organization truly global in its approach to employee benefits? Do you have full visibility of the cost and scope of benefits the company offers across the globe? Do your global benefits and total rewards strategies align with your corporate governance framework? Multinational organizations that have these goals may want to consider embarking on a process to harmonize their employee benefits around the world.

With benefits harmonization, global organizations seek to offer a more equitable set of benefits across all of their locations. Global benefits harmonization can provide significant advantages, support better workforce and organizational well-being, and offer potential cost-saving synergies to a global organization, especially when a strategic approach is applied.

This article provides a decision-making framework that identifies the elements and variables that should be considered when determining whether to harmonize benefits (Figure 1). An organization's harmonization decision framework must be aligned with overall business needs, objectives and the organization's global governance framework.

Global Total Rewards Strategy

When embarking on a process to harmonize benefits, organizations should start by developing a global total rewards and benefits philosophy, also called a *human capital strategy,* taking into consideration the organization's current state as well as forecasting any expected changes. Most global organizations develop a one-page overview of this philosophy that is easy to understand and aligns with the organization's business and human resources (HR) objectives for consistency, transparency, accountability, compliance and oversight of the total rewards strategy. A harmonized, global comprehensive approach to benefits, compensation, retirement, employee communications and workplace culture helps employers align human capital strategy with overall business goals and may help them differentiate their organizations in the marketplace.

Benchmarking

Organizations usually set a target quartile for how they would like to compare with others in terms of benefits (e.g., 50th, 75th, 100th percentile) as part of their global total rewards and benefits philosophy. Benchmarking is an im-

FIGURE 1

A Plan for Harmonization: Global Governance

portant component that should be considered prior to implementing a benefits package in a new country. It is most effective when it is customized for the specific industry, incorporating standard risk benefits (e.g., health care coverage, retirement benefits, life insurance) and other factors such as allowances, perquisites and leaves. A comprehensive benchmarking analysis will provide a global organization with valuable insight into the competitiveness of the total rewards package in each market. The analysis will also determine whether the competitive quartile of benefits—defined within the organization's total rewards and benefits philosophy document—is accurate for the specific market it is entering and will allow that organization to attract, engage, reward and retain the talent it needs to succeed.

When benchmarking, organizations should identify the talent pool and the primary competitors in each market and analyze the benefits packages they offer to their employees. Organizations should note that talent pools outside the industry or those that are not direct competitors may represent potential employees.

Diversity and Inclusion Issues

As the issue of diversity and inclusion gains prominence, the following are examples of the challenges multinationals may face in creating inclusive benefits.

LGBTQ Benefits

- Some countries do not recognize same-sex marriages or partnerships.
- Organizations must keep up with emerging trends and legislation recognizing same-sex marriages.
- Health care coverage needs may differ (e.g., HIV-related coverage, gender-affirmation treatment, assisted reproduction).
- In some countries, same-sex partners may not be eligible for tax breaks.

Sociocultural Diversity

- Cultural norms and expectations may affect popularity of some benefits (e.g., health care coverage for parents and other family members).

Disability

- Mandates on accommodation of disability may differ.
- Accessibility requirements vary.

Age

- Differences in age of workforce may drive benefits offerings.
- A one-size-fits-all benefits package may not work, especially for fringe benefits (cars, gym memberships, education and other perquisites).

Takeaways

- Multinational pooling may be a way to support nontraditional benefit policies and achieve greater inclusion of employees and their dependents in countries where inclusion remains a challenge.
- It is important to consider sociocultural and age differences but achieve balance with minimizing benefit offering differences to champion diversity and inclusion.
- Employers should focus on harmonization of company culture with benefits offerings.

Equity in Approach

The approach that global organizations take to design benefits packages in each country should be similar and aligned with the global total rewards strategy, and it should fit within the governance framework. While the goal is to harmonize benefits across the different countries where they do business, significant regulatory and cultural differences exist from one country to another. See the sidebars on diversity and inclusion and leave policies for examples of these regulatory and cultural differences. Therefore, it is important to keep in mind that harmonization does not mean *equalization*, but rather developing an equitable approach.

Benefits packages, designed within the scope of the total rewards strategy and positioned at the desired level of competitiveness, will be very different in structure from one country to another. For example, in some countries, it is common to differentiate medical benefit plans by level of employee; in other countries, this practice may actually be illegal. Or in one country, it may be customary to offer a fixed sum of life insurance, while in other countries, the coverage amount may be a multiple of salary.

The total cost of mandatory and statutory benefits as a percentage of salary varies widely from country to

Global Differences in Leave Policies

Benefit entitlements and customs vary around the world. The following examples point out differences in leave policies that multinational employers would have to consider when harmonizing benefits.

Annual Leaves

- Entitlements vary between no time (United States), 20 days minimum (European Union), 90 days (Zimbabwe).
- Entitlement can depend on age (Hungary).

Maternity and Family Leaves

- Significant differences in requirement, length and benefits
- Common country-specific leaves and/or eligibility: Family benefits for dependents of detained employee (Indonesia); breastfeeding leave for fathers (Spain)

Bereavement Leaves

- Differences in mandatory provision and market practice
- Culture- and religion-specific leaves: mourning leave for Muslim women (Pakistan, Saudi Arabia)

Other Types of Leave

- Great variation across the globe. Examples include:
  - Blood donation leave (Poland, Argentina, Brazil, Hungary)
  - Religious pilgrimage leave of up to 30 calendar days (United Arab Emirates)
  - Paid time off for circumcision of a child, baptism of a child, menstruation (Indonesia)
  - Five to 15 days of marriage leave (India).

country as does the quality of the service provided—especially for medical care—under the mandatory statutory structure (typically social security or potentially a collective bargaining agreement). A global organization's harmonization strategy should be flexible enough to contemplate these elements since adaptations may need to be made for specific market conditions and duty-of-care elements. For example, a company that typically offers only mandatory and statutory medical benefits may need to offer a private medical plan in certain countries where the social security system is not adequate.

Mergers and Acquisitions

In some cases, a merger or acquisition may drive benefits harmonization. Ideally, prior to finalizing the acquisition, the global HR team and the benefits consultant will be invited to perform due diligence on the total rewards programs in place at the entity that is being acquired. This will uncover any red flags (failure to offer mandatory/statutory benefits, offering benefits that are not compliant with local regulations and mandates, grandfathered defined benefit (DB) plan risk, underfunded obligations, etc.). These issues may impact the budget and potentially the value of the acquisition. The due diligence process is also an opportunity to benchmark the benefits offered by the company being acquired with those of the acquiring entity and identify the gaps and budgetary impact of closing the gaps to harmonize benefits.

Globally Mobile Employees

Organizations have a duty-of-care responsibility to protect the well-being of their employees while they are on assignment regardless of their classification, including expatriates, third-country nationals, business travelers, etc. Benefits for mobile employees is another area of harmonization that global organizations often overlook.

Harmonization in the assignment planning and execution will guarantee a transparent and positive experience for both the mobile employee and the global organization by eliminating uncertainty and allowing the expatriate to focus on the assignment objectives.

Travel assistance, business travel medical and accident insurance coverages outside of employees' home countries is another critical topic that global organizations with mobile employees should look to harmonize. Even in cases where global coverage is provided through the local employer-sponsored health insurance plan, a travel medical policy can provide immediate access to an overseas health system during a medical emergency and remove the uncertainty about coverage while the health system validates benefits with the health insurance carrier.

Employee Benefits as a Competitive Advantage

Global organizations need to continuously monitor the competitiveness of their benefits offerings in each country. When turnover rates are above the expected levels, organizations should determine whether benefits—and total rewards in general—are a factor. If so, they should have an agile process to shift. There is no one-size-fits-all approach to benefits harmonization. Each market must be closely analyzed, and even those organizations with a global benefits harmonization strategy must swiftly make adjustments when the competitive nature of the specific market or industry requires modifications to attract and retain talent.

Single Point of Contact

Having a single point of contact for global benefits is ideal to ensure alignment with strategy, access to information and consolidated reporting. Over the past few years, many organizations use a centralized outside consultant as this point of contact. This approach can reduce touch points, streamline processes and communication, and assure that benefits are compliant, competitive, cost-effective, and aligned with the organization's global governance and global rewards strategy. The increasing complexity of international compliance, global benefits and total rewards, coupled with the accelerating rhythm of change in the regulatory environment, can make it extremely challenging for an organization's HR team to track the changes and remain up to date. The challenges are compounded by the fact that less than 50% of global organizations have HR and benefits representatives in each country or region.

Communication Strategy

Effectively communicating with employees is vitally important to the benefits harmonization equation. It is not uncommon for a global organization to dedicate significant time and resources into crafting and implementing a highly competitive benefits package but then find that even the benefits perceived to have the highest value have utilization levels well below what was expected. It is key to tailor appropriate communications for each country and its respective cultural expectations in order to achieve success with the implementation.

One effective way to avoid these communications mishaps is to involve the local staff in the benefit design process and the annual review of the benefit plan results and utilization.

takeaways

- With benefits harmonization, global organizations seek to offer a more standard set of benefits across all of their locations.
- Global benefits harmonization can provide significant advantages, support better workforce and organizational well-being, and offer potential cost-saving synergies to a global organization, especially when a strategic approach is applied.
- When embarking on a process to harmonize benefits, organizations should start by developing a global total rewards and benefits philosophy.
- Organizations should conduct benchmarking to determine how their benefits compete with other employers in the market.
- Mergers and acquisitions may drive the benefits harmonization process.
- Other considerations when harmonizing benefits include employee communications, financing mechanisms and whether to have centralized leadership.

Alternative Financing Mechanisms

Benefits harmonization may facilitate the execution and effectiveness of alternative financing mechanisms such as multinational pooling, global underwriting and captives. *Multinational pooling* considers the risk for the entire portfolio and creates an opportunity for organizations to earn an international dividend (and local in-country dividends where applicable) if the experience for the pooled risk coverages is positive. Moreover, organizations can potentially obtain improved terms and conditions when the overall portfolio is taken into consideration. *Global underwriting* builds on multinational pooling with the addition of up-front premium discounts. Larger organizations may consider *captive* options in which the risks are retained in-house and the organization operates as its own insur-

Global Benefits Harmonization Case Study

Here is a look at the challenges faced by one multinational organization as it looked to harmonize its global benefits offerings well as the solutions it used and the results and return on investment (ROI) realized.

Employer Background

- Represents multiple industries
- Has global operations in multiple countries in the Americas, Asia-Pacific, Europe, the Middle East and Africa
- Has grown organically and through mergers and acquisitions
- Possesses a strong wellness culture
- Targets the 50th percentile for benefit plan design competitiveness

Challenges Faced Prior to Harmonization

- No centralized global human resources (HR) team or procurement
- No formal global governance strategy
- Lack of information and data at corporate level
- Differences in global HR structure, regional and local HR support based on subsidiary size
- No contingency plans for crisis (e.g., pandemic)

Benefits Harmonization Solutions Used

- Data collection and dashboard for each country
- Formal governance plan with a centralized strategy and teams
- Effective total rewards and employee benefits strategy
- Benchmarking and compliance audit
- Creative financial strategies (e.g., multinational pooling, global underwriting)
- Formal processes and global communications plan

Results/Return on Investment

- Effective teams and global governance
- Known total benefits spend
- Centralized, compliant, competitive and consistent approach (equity)
- Improved benefit terms, conditions, premium rates and increased costs savings
- Stronger employee value proposition, organizational culture and communications

ance company. An organization's risk appetite, global governance, country locations and harmonization objectives should be considered in determining the most viable solution.

The Pros and Cons of Global Harmonization

Advantages

The advantages of harmonizing employee benefit plans often outweigh the disadvantages and generally include the following:

- Synergies, economies of scale and ease of administration
- Clear global governance, total rewards/employee benefits philosophy and strategy
- Being an employer of choice in the global/local marketplace
- Ability to establish effective global teams and build a workplace that works better
- Improved access to data and information to make informed decisions
- Proactive ability to keep stakeholders apprised
- Engaged and happy employees who feel their total well-being is supported
- Healthier employees who are better workers and consumers
- Transparent employer and employee communications, which promote a positive workplace culture
- Ability to leverage negotiations to achieve inclusivity (e.g., negotiate coverage for same-sex partners), a key aspect to organizational well-being
- Compliant and competitive plan design to attract, engage, reward and retain talent
- Potentially improved contract terms and conditions

- Return on investment (ROI): hard-dollar monetary cost savings and soft-dollar savings
- Stronger well-being and work culture aligned with philosophy.

Disadvantages

Harmonization may not be the right approach for every global organization. Examples include situations where the organization is competing in market segments that are different from the core business or hiring different types of employees in local markets.

Disadvantages or challenges of harmonization may include the following:

- Investment in time and education is needed to establish global/regional/local teams.
- Additional budget may be required (e.g., to address compliance, close gaps or align with strategy).
- Different levels of quality in local social security/public health sectors as well as varying quality in mandatory and statutory retirement, life and disability programs may not be contemplated under a fully harmonized benefits approach.
- Collective bargaining agreements may have an impact on benefits that can be offered.
- Not all benefits are valued by all employees (e.g., it may vary by employee classification such as job type and level).
- Although the focus is on cost-optimization, overall benefits spend might increase if compliance gaps or lack of competitive benefit programs are uncovered.

Steps to Achieve Harmonization: A Strategic Road Map

The first step toward achieving harmonization is to create a strategic road map. In creating a road map, organizations should consider the following high-level steps to build a detailed plan and time lines. This process toward achieving harmonization can average six months to a year, and in some cases can take three years (e.g., for contracts in Europe where three-year termination notice can apply).

- **Discovery:** Gather information to understand organizational culture, global governance, total rewards and employee benefits philosophy, global footprint, stakeholders, and long-term goals and objectives.
- **Planning and strategy:** Establish people leaders and global/regional/local teams; set objectives, goals, budgets and time lines; define expectations; and determine role of communications and technology.

FIGURE 2

The Six Cs of Global Governance

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- **Recommendations:** Perform a review and deep dive into market, loss ratios and costs; obtain proposals, working directly or through a global consultant; make recommendations; ensure compliance of statutory and mandated coverage; and consider alternative benefits financing.
- **Implementation:** Implement recommendations in conjunction with leaders, time lines and budgets.
- **Assessing and measuring the targeted impact on ROI:** Consider hard- and soft-dollar savings and overall impact on employee value proposition and organizational well-being.

The sidebar on page 22 illustrates the numerous results and ROI that one global employer achieved through harmonization.

Practical Advice

When considering harmonization, organizations should focus on the big picture—their "why" for harmonizing employee benefits.

It's crucial to understand the strategic plan and time lines. Organizations should ensure that global/regional/local team members with knowledge, skills and abilities as well as positive energy, tenacity and perseverance are included in the strategic planning process to achieve buy-in.

The ultimate ROI of harmonization can include not only monetary savings and optimization of spending, but also intangible ripple effects including improved consistency, equity and governance; an aligned total rewards strategy; improved employee communications; better employee health and well-being; and a stronger company culture.