2019

Organisational Wellbeing & Talent Insights

Challenge Your Point of View

UK Edition

Gallagher

Insurance | Risk Management | Consulting

Collaborative relationships drive competitive talent management strategies. The articles that follow provide information, data and insights to help chief executive officers (CEOs), chief financial officers (CFOs) and human resource (HR) leaders better address some of their most pressing concerns — together.

Table of Contents

Better together — the age of open and collaborative leadership

Businesses have never been laid so bare, and for many this is proving a tough challenge. Boardrooms of the past were often places of mystery and wonder to the rest of the organisation, not to mention the outside world. Now, in order to 'bring out their better' the C-suite has to connect more strongly with their people and the communities where they live and work. Senior executives must also help drive collaboration across all parts of the business, ensuring alignment of priorities, resources and goals. Why? Because success depends on it.

Evidence of the need for a more collective and connected mind-set in competing for and managing employees is hard to ignore. The perception of excessive salaries and bonuses at the top and a 'nose to the grindstone' mentality for everyone else has created an undercurrent of dismay. An emphasis on the individual continues to blur work-life boundaries, and employees won't — and indeed don't — stick around if they feel uninspired or dissatisfied with their lot. The glue provided by defined benefit (DB) pension schemes has long since dried up. And an inflexible 9-to-5 mentality represents one surefire way to put off new recruits.

Even the lucky few organisations that can boast sound recruitment and retention may suffer lacklustre productivity. This is primarily due to one of the most pervasive issues in today's workplace: presenteeism. In short, UK business faces some big challenges. Whilst all organisations are different, there's a singular solution that focuses on what they have in common. This one constant — the beating heart of a successful business — is happy, healthy and engaged employees.

Gallagher's integrated approach to compensation, benefits, retirement and employee communication, called Gallagher Better Works℠, helps organisations truly bring out their better.

By addressing the interconnected nature of health, engagement and culture, they can face their futures with confidence. From a holistic point of view, they're able to more readily see and assess the effects of this relationship on productivity and turnover, and find opportunities for improvement.

This approach is about innovation and optimisation. In a practical sense, that means making better use of existing resources and other assets to help resolve challenges and promote the growth of the entire organisation.

Taking control of the employer value proposition

Employers that move ahead identify what needs to be done better. And those that have got this nailed ensure their brand experience — in terms of attraction and retention — is as relevant to recruits and their employees as it is to their customers.

Employees' thoughts and feelings about their organisation now define the brand as much as the impressions of outsiders do. In order to have any influence over brand perception whatsoever, it's essential to have a strong employer value proposition (EVP): 'this is how we want to be seen'. And with that comes the knock-on effect on productivity and turnover.

Taking control requires a shift of mind-set to a much more concerted focus on communication. But this is about listening — not telling. Employee insight is crucial to advising decision-making at the board level and ensuring key stakeholders and leaders are aligned. Only then can the organisation nurture an effective culture: one that demonstrates respect for employees and earns their trust.

An example of applying employees' preferences to culture and benefits is placing a higher priority on work-life balance and corporate social responsibility (CSR) — supported by an investment of time and resources in local communities. In turn, this leads to potential gains in productivity, motivation and brand loyalty.

Making total rewards communication meaningful

Employee benefits represent a considerable spend for most organisations. Although pay increases were better than expected in the UK in 2018, they were mostly limited to a few technology sectors where skilled individuals are in short supply.[1]

Communicating total rewards is an affordable essential, not a nice-to-have. But in order to unlock return on investment (ROI), communication must be meaningful. Just providing a list of available benefits each year won't capture anyone's attention — at least not for long. Employees need to understand the daily value of their benefits in protecting and supporting them and their families.

Better businesses are those that make sure employee benefits can deliver on their promises. Closed DB schemes are a case in point. They've brought savings to many organisations but they come with risk, too.

It's important to stay on top of aspects such as early retirement liabilities associated with ill health — past, present and potential future. Some organisations are managing to do this in a way that completely removes the liability from the balance sheet. But at the same time, they're able to create or further shape their organisational wellbeing.

Empowering employees through financial education

Financial education at all levels is essential. It's as much about helping someone on an average salary 'get by' and retire when they want to, as it is about encouraging higher earners to maximise their retirement income, and take advantage of other tax-efficient savings vehicles.

There's no onus on employers to do this. But more are now choosing to get involved. Why? Because there are big gains to be had with regard to organisational wellbeing. When a focus on financial education improves employees' health and wealth, increased productivity and a stronger corporate reputation often follow.

Again, it needn't break the bank. The organisations doing this well are making good use of free resources — there's a lot of great educational material out there. Plus, making better use of the compensation and career benefits they already have, as well as communications, offers an example of what 'good' looks like when it comes to finances at key life stages.

The global economy is tough and ever changing. The winners will be organisations that truly embrace open and collaborative leadership. They're the ones getting out in front of this strategic shift, and keeping their ears to the ground so they know what needs to be done better. At the same time, they're putting the support in place to utilise these insights, driving progress towards better talent attraction and retention outcomes by promoting innovative, optimised programmes.

For these organisations, being laid bare is an opportunity, not a threat.

Nick Burns
CEO,
Gallagher Benefit Services, UK

Energised by collaborative working and innovative thinking, Nick leads a team responsible for helping clients successfully seize opportunities presented by cultural reinvention, creative communication and employee engagement strategies, wellbeing solutions, reward and benefits design, and wealth and lifestyle management.

CEOs

The ins and outs of achieving the business purpose of the employer value proposition

Every employer making a serious bid for top talent knows the importance of an EVP. But even with this awareness at an all-time high, very few fully understand how to turn it into a competitive advantage.

What everyone forgets is that every organisation already has an EVP, whether purposely created or not. In fact, the experience of that EVP is pervasive — present in every water cooler chat, performance review, remuneration discussion and exit interview.

This essential contact between employees and their employer manifests in all touchpoints of the employee experience. And organisations that take control of their EVP can use it to drive their success now and in the future.

Take the inside outside — to grow the business

It's long been accepted that the brand experience an organisation creates — the way it looks, feels and acts on the outside — is vital to attracting new business. A shift that many don't yet recognise is how it looks, feels and acts on the inside is now just as important.

A purposeful EVP structures that inside-out experience. It's crucial to ensuring that top talent not only want to join the organisation, but also give 100% and deliver the objectives that drive business forward once they're on board. Just as marketing and sales efforts power every growth strategy, an EVP puts people at the heart of business development. Together, they drive sales and growth in line with the organisational strategy.

Two assets intrinsically linked to the strength of the EVP include ethics and culture. Increasingly, these criteria are inherent factors in both the desire to do business and the choice of partners.

A highly visible example of rising public consciousness is the conversation about gender pay gap — a concern that fits squarely within the commitment to CSR. The recent requirement for organisations to publish their internal data is only the beginning. It's clear that employers will need to release more data in the future, and the CEO pay ratio appears to be next in the queue starting in 2020.

This will only further expose the inner workings and culture of an organisation, undoubtedly changing people's perceptions of it — for better or worse. And better counts more than ever, because an employer's CSR commitment has elevated importance amongst today's workforce.

Communicate early and often

To ensure success, leaders need to frequently revisit and refine what they're telling their employees about the purpose behind the EVP. Their communications must empower line managers to make that strategy real and authentically relevant to employees, fostering relationships that create internal advocates and ambassadors for their organisation.

Developing a robust communication plan is crucial to ensuring that the first-hand employee experience always correlates with the current strategy.

FIVE QUESTIONS THAT GUIDE BETTER EVP COMMUNICATIONS

Do employees understand their ...

1. Organisation's vision and purpose — and how they can contribute to business success?
2. Organisation's values — and feel inspired to 'live' them?
3. Roles and responsibilities — and how they can learn and develop?
4. Specific reward package value — and feel compensated fairly, supported adequately and recognised properly?
5. Work-life balance programmes and policies — and how to get the maximum wellbeing benefit from them?

Realign and refine to own the outcomes

Most organisations have already actioned their responses to these questions within the business. With new insights, they can integrate and commit their efforts to a more effective strategic intent, one that's realigned to support the business vision and where the company wants to be in the future. This is the formula for owning control of the EVP and the business rewards that come with it — indefinitely.

Ben Reynolds
Managing Director,
Employee Communications

Ben leads a dedicated team of employee communication specialists, guiding their success in creating connections that help clients drive business objectives and organisational wellbeing through employee engagement. Under his direction, the practice continues to grow across the globe.

Putting the fun back into function — why engagement and efficiency go hand in hand

Gone are the days when employees stretched their work hours out of habit. This is a new era when the best talent expect more for themselves. And that's good news for productivity and business results, because achieving these goals begins with employee engagement.

The late and great Apple Inc. co-founder Steve Jobs made a pertinent point when he said: 'Your work is going to fill a large part of your life, and the only way to be truly satisfied is to do what you believe is great work. And the only way to do great work is to love what you do'.[1] But, with research revealing that 85% of employees worldwide feel disengaged with their job or workplace, it appears something is severely amiss when it comes to employees loving what they do.[2]

Overemphasising process and efficiencies can leave employees feeling increasingly dissatisfied, stressed and frustrated over the lack of control they have in their jobs, careers and even their lives. With disillusionment having a negative effect on productivity, it's time for organisations to re-evaluate their engagement strategies — and reject the 'daily grind'. Better businesses emphasise opportunities that combine health, engagement and culture to create motivating environments in which people want to work.

Punching a clock is no longer enough

Wellbeing is now on the radar of most employers, although in some organisations it still exists as a buzzword — in need of an initiative that gives it real value. On the whole, employees are at least somewhat familiar with wellbeing and the reasons why it should be prioritised.

Expectations are now greater because of a heightened awareness of wellbeing, particularly amongst millennials. On the whole, their experiences growing up have influenced them to view good work-life balance as a career-long job prerequisite. Many of the best talent prospects are therefore looking for a workplace where they feel they belong. They want to enjoy showing up and participating in a culture of development, progression and support.

Cultivating an aspirational community of achievers is one of the most significant wellbeing opportunities for employers. With happiness and fulfilment comes loyalty and discretionary effort: namely the willingness of employees to go the extra mile to deliver their best.

Loyalty is also key to reducing staff turnover — and with average annual turnover at approximately 15% in the UK, engagement should be top of the agenda.[3]

15%

AVERAGE ANNUAL TURNOVER IN THE UK[3]

Developing a high-performance environment that engages and motivates staff essentially requires employers to optimise their talent investment, reduce recruitment and training costs, and maximise profitability.

Striking the all-important balance

The need for efficiency is not going away any time soon, but putting in place a robust strategy to improve engagement helps support both of these goals. If done right, engagement will become the driving force.

For example, offering agile working represents a great way to efficiently increase engagement. Most employees (89%) consider flexible working a key motivator of their productivity at work — even more so than financial incentives (77%).[4]

This finding is supported by high-profile studies from the Swedish government on the effects of reducing the working day for nurses to six hours. During the first 18 months of the trial, nurses working shorter hours logged less sick leave, reported better perceived health and boosted their productivity by organising 85% more activities for their patients.[5]

Line managers also play a pivotal role in influencing employee happiness because they have the most opportunity to connect emotionally with their team members — if they take advantage of it. The strain of meeting financial targets often pushes team enjoyment way down the list of line managers' priorities. In turn, there's a lack of time, resources and inclination that can cause a negative spiral through the ranks.

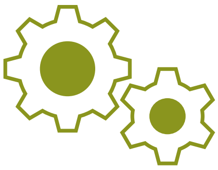
This repetitive pattern is demotivating but can be broken with structured engagement efforts. It's important to provide line managers with sufficient people training and address wellbeing as a priority. With wellbeing comes resilience — and with resilience comes productivity that filters down the chain.

Looking beyond the office walls

Beyond the workplace, an opportunity exists to engage employees within the wider community. Research finds that 50% of employees desire work that connects them to a larger purpose. And those who frequently participate in their organisation's volunteer activities are more likely to feel loyal.[6]

50%

DESIRE WORK CONNECTED TO A LARGER PURPOSE[6]



Put simply, it feels good to do good. And when that experience is shared with colleagues, it builds camaraderie and goodwill that promote loyalty.

Engaging employees' close family members with activities such as family days and fundraisers — and publicly recognising their participation and contributions — has a similar effect. By extending wellbeing opportunities for the workforce from the workplace to their home life, employers show a deeper level of commitment. They make clear that they care about employees by caring about the most important people in their lives, helping to form an emotional connection.

Thinking strategically and long term

Of course, an increase in engagement initiatives has cost implications. But if implemented effectively and with ample supporting communication, the long-term benefits will exceed the financial outlay. It's old-fashioned human interaction that really energises people and drives them to succeed — and that is 100% free.

Employee engagement must, however, run deeper than ad hoc initiatives in order to have a real impact on the bottom line. To this end, all organisations need to implement a holistic wellbeing strategy that integrates financial, mental, physical and career health.

The ability to help employees form bonds — with one another and their employer — translates to reduced costs of absenteeism, presenteeism, recruitment and training. But a supporting engagement framework that's aligned to business objectives is essential. This is the structure that ensures employee total wellbeing is engrained within the organisation's culture and values: the key to efficiently achieving long-term loyalty and sustained productivity, growth and profitability.

Chris Evans
Regional Director,
Risk & Healthcare

Active in the UK employee benefits sector for over 30 years, Chris has a wealth of knowledge on risk benefits and integrated health solutions. He strives to deliver holistic strategies that make a positive impact on the organisations he serves for the benefit of their most important assets – their people.

Why world-class organisations are investing more in their internal communications

These days, internal communications are more than just cascading messages from senior execs down through the organisation. Although there's always going to be an element of telling on the sending end, the focus is on receiving feedback by listening to what employees have to say. The best internal communicators gather real-time insight and bring it to the table to guide and advise decision-making. It's all about driving culture, coaching leaders, channelling innovation and facilitating dialogue.

The ultimate goal of internal communication? Excellent employee engagement from pre-joining, to every day on the job, to leaving or retiring: the recipe for better business.

Employee engagement delivers all kinds of benefits for organisations from greater brand equity to improved productivity. And 30 years' worth of studies have proven the link between internal communications, employee engagement and hard business results.

CEOs who get the value of internal communication are evangelical about it because they already see the connection to business outcomes. And those who don't may not have envisioned what better could look like for their organisations, so they don't know what to expect.

So why the chocolate bar budget?

The investment level in the internal communication function, on the whole, is ridiculously low: the equivalent of the cost of a chocolate bar per employee per month. According to a recent report that collates responses from internal communication professionals in 820 organisations globally, the biggest organisations — with more than 50,000 employees — spend around £1 on communicating internally.[1]

INTERNAL COMMUNICATION SPEND – BIGGEST EMPLOYERS[1]

£1 PER PERSON MONTHLY

Compared to the cost of replacing an employee at around £35,000, this lack of financial support is startling. In fact, the larger the organisation, the lower the internal communication spend per person.[1]

The power of influence and perception

What seems like a missed investment opportunity doesn't appear to tally with the large majority of internal communication practitioners, who say their function is perceived as playing a key role in employee engagement (72%). About the same number agree it has a clearly articulated purpose (75%). And apparently this viewpoint is becoming more widespread within the organisation: 69% say internal communicators and leaders agree on the function's purpose, up from 62% in 2018.[1]

So why isn't investment much higher? An argument can be made for internal communication teams to accept some of the blame for the lack of resources. Many could underscore their value by driving a more strategic approach, informed by and followed up with in-depth measurement. And focusing on the areas that cause real issues — namely an excessive volume of communications, poor line manager communication skills, and lacklustre internal technology — prioritises the most meaningful progress.

Where's the evidence?

Internal communications that are done well bring phenomenal results. So, what does phenomenal look like? No organisation alone sets the standard because anyone's best can always be made better. But there's great work out there that showcases and inspires a solid approach and results.

For organisations looking for insights, one series of papers in particular serves as a practical resource — highlighting key links between an engaged workforce and outcomes for sales, talent retention and the customer experience. It's now a decade since the initial MacLeod and Clarke report on enhancing performance through employee engagement was published — a government-sponsored, industry-led study.[2] And seven years have passed since a follow-up document from the 'Nailing the evidence' workgroup landed, bolstering the business case for investment in this area.[3]

Most recently, the 2016 instalment, 'THE EVIDENCE: Case Study Heroes and Engagement Data Daemons', presented 10 examples from various industries. They describe how these employers measured engagement, and then applied the results to improve it.[4]

Findings from rigorous studies such as these demonstrate the all-important ROI of engagement initiatives. And one key takeaway offers evidence that increased performance outweighs the initial cost of investment in the engagement initiative.

A shift to integrated communications

In a bid to improve recruitment, retention, engagement and productivity, it's vital to have a compelling employer brand built around a strong EVP. And an EVP will only work where departments, policies and practices are interconnected. It has to be a holistic approach.

Every good internal communication function must work hand in hand with other areas of the business. From corporate affairs and public relations to marketing, HR and IT: it has a unique role to play. Communication is the glue that holds everything together in an organisation, ensuring that the customer, employer and employee brands are aligned and built on the internal reality.

The current blurring of boundaries between internal and external communications has complicated the message strategies. Getting 'the inside out' — communicating the brand and the employee experience to the outside world — has never been easier and at the same time harder, thanks to social media. Employees are now an organisation's greatest brand advocates. Or its most vocal detractors.

In a bid to improve recruitment, retention, engagement and productivity, it's vital to have a compelling employer brand built around a strong EVP. And an EVP will only work where departments, policies and practices are interconnected. It has to be a holistic approach.

All of these opportunities and challenges translate into a more pressing need for organisations to integrate their communication function, and they're heeding that call. In 2019, for the first time, over half (52%) of internal communication respondents declared that their function forms part of an integrated corporate communication, PR and corporate affairs team. This figure was just 30% back in 2015.[1]

The way people experience the world is changing at a wholesale level. Perceptions of the role and influence of internal communication are changing too. It's going to take some time to achieve a more widespread uplift in the chocolate bar budget. But all indications suggest a growing appetite for a significant shift.

Matt Frost
Business Development Director,
Employee Communications

Matt crafts messages and creates campaigns that help employers think strategically, emotively and intelligently about engaging their people. His goal for clients is an employee experience that connects the dots between the business, HR, total rewards and benefits strategy.

Why executive pensions are coming under pressure again — and what to do about it

UK organisations are coming under pressure from shareholders to bring the retirement benefits of senior staff in line with those of the rest of the workforce. Fairness is admirable, but relying on fairness alone puts the ability to acquire and keep talent at risk. In order to prepare for a more confident future, businesses are looking more closely at parity of pension contribution percentages across all levels. Or at least ensuring any differences are justifiable.

It's not the first time that employers have dealt with the push for a more equitable approach. Back in the mid-1990s, pensions were one of the elements of executive pay that came under fire during the so-called 'fat cat' privatisation scandal. Executives received huge payouts just for being in the right place at the right time, when the government privatised utilities such as water and electricity.

This time round, the scrutiny is partly due to a 2018 change in the UK's corporate governance code, which highlights pension inequality. The other significant influence is a greater emphasis on 'fairness'— in the workplace, the investment community and society as a whole.

Shareholders and investors have been particularly outspoken about organisations paying executives much higher pension contributions than they do those lower down the pay scale. Earlier this year, for example, the Investment Association said it would 'amber top' existing executive directors that received 25% or more of their salary as a pension contribution — the second-highest warning about remuneration policy.[1]

This extra pressure has prompted a raft of high-profile companies to slash the value of executives' pensions. In March 2019, one chief executive had his 'cash in lieu of pension' allowance payment reduced from 30% to 10% of salary. Another agreed to cut the size of his annual pension payments from 30% of salary in 2018 to 24% in 2020. However, critics pointed out that this remains more than double the salary percentage paid to the company's employees, who receive standard contributions of between 9% and 11%.[2]

We are clear that fair pay policies are necessary to ensure good employee morale.[3]

— Caroline Escott, Pensions and Lifetime Savings Association, Investment and Stewardship Policy Lead

Pension transparency in the modern workplace

Compensation transparency has been a growing theme over the last 25 years. In the UK, it began with the original 1990s pension debacle and re-emerged with the perception that executive greed contributed to the global financial crisis several years later. These events added to the drive for accountability and have caused governments around the world to look at ways to provide greater disclosure of both pay and pensions.

The idea of publishing pay ratios was first introduced in the 2010 Dodd-Frank Act, which was the US government's response to the credit crunch. Related regulatory changes in the UK include rules brought about in October 2013 — requiring listed companies to disclose more details of directors' remuneration, including pension arrangements.

More recently, new legislation that took effect in January 2019 means employers will have to publish the ratio of CEO pay packages to those of the workforce at the end of this fiscal year.

'Fairness' and distributive justice

Distributive justice — the perceived fairness with which rewards are allocated — has become a priority in Western societies, especially since the 2008 financial crisis. Employees have begun to kick back against what they see as unfair practices, and millennials are at the forefront of this resistance.

In other words, regulatory changes in the past decade reflect the changing public mood. Evidence is plain to see, including the investor moves of a large global asset manager in 2017. The corporation wrote to the bosses of more than 300 UK companies, saying it would only approve salary rises for top executives if firms increase workers' wages by a similar amount.[4]

FIVE REASONS
EXECUTIVE PENSIONS ARE BACK UNDER PRESSURE

1
Growing investor backlash against 'excessive' executive pensions

2
Greater emphasis on distributive justice and 'fairness' in the workplace

3
New reporting standards that show how much executives receive in pension contributions

4
Cash allowances required by the LTA that make it easier to spot large payments

5
Less generous workplace pension schemes that widen the gap further still

Generally speaking, in this climate, the more executives have in common with other employees, the better. But when it comes to how much an executive is worth, perspectives differ.

Some argue that entrepreneurs, who create value by setting up a company and taking on risk, should be allowed to earn as much as they can. And there's a faction that believes the level of remuneration for those who spend a few years as custodian of a big, established organisation should be more limited — and in line with that of their employees. Otherwise, they may attract the glare of public dissatisfaction.

To avoid controversy, it seems more sensible to align someone's pay to the organisation's performance during their tenure, rather than to the length of time they have been there.

The impact of the lifetime allowance

The government's lifetime allowance (LTA) limits the amount that can be drawn from a pension plan without triggering an extra tax charge. In 2006, when the allowance was introduced, this limit was £1.5 million. Now it stands at just over £1 million.

Despite the lower threshold, even someone with a £50,000-a-year pension is more likely to be affected, so executives are not the only ones who lose out. However, whilst these top earners could previously retire with £25 million pension pots, they now have to use 'cash in lieu of pension' allowances to get around the new rules. And that makes it easier to see just how much is being attributed to their retirement funds.

The business problem with executive pensions

Whilst generous final salary schemes have become extinct for most workers, many executives still benefit from lucrative pension arrangements. The differentials between the two can be huge.

In 2016, a payment of £735,000, or about 75% of an outgoing pharmaceutical executive's salary, was transferred into his pension.[5] Combined employer and employee contributions to the average workplace pension, on the other hand, were just 3.4% in 2017.[6]

Not everyone has the same idea of what is fair. Even so, it's widely accepted that it's not fair for executives to receive a pension contribution at a considerably higher salary percentage than the rest of the workforce.

Considering the trends, the most defensible and competitive position may well be to provide all employees — including executives — with contributions at the same salary percentage. At the very least, organisations should ensure they can easily justify any differences. The optics of the situation need careful management. And ultimately, executive pension arrangements must be adapted to fit the demands of the modern world.

In a society where ethics and fairness are increasingly important, such a policy should help to improve customer and talent perceptions and protect the brand's reputation. Moreover, it allows the company to concentrate on creating value.

Mark Childs
Managing Director,
Total Reward Group, a Gallagher company

Mark's expertise in human resources and reward is derived from the senior HR positions he previously held in five FTSE 100/Fortune 500 firms. He is a Chartered Companion and former Vice President Reward of the Chartered Institute of Personnel and Development (CIPD), and an author, commentator and contributor to numerous reward publications.

CFOs

How the current state of the labour market affects pay inflation — and the ability to secure the right talent

A falling unemployment rate and job vacancies at a 15-year high — despite many over-65s still in the workforce — paint a rosy picture of the economy.[1] And with better-than-expected pay increases last year, anyone could be forgiven for thinking that UK business is booming.

Scratch the surface and it becomes clear that the bulk of the job vacancies and pay increases are restricted to certain areas where skilled individuals are in short supply. This relatively rare patch of greener grass is constraining growth. In fact, productivity in the UK economy has flatlined since 2007.[2]

Against this backdrop, employers face some serious recruitment and retention pressures. And the need for organisations to focus on ensuring their EVP helps improve productivity and turnover has never been greater.

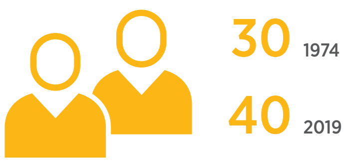
UK labour market trends

Borne out by an unemployment rate that has fallen progressively to the current 3.9%, the trend line points to a continuing increase in job vacancies. This pattern persists despite employed earners making up 76% of the population aged 16-64: the highest percentage since records began.[1]

The labour market is also characterised by an ageing population, with data indicating a lower rate of retirement in recent years. This tendency to stay longer in the workforce coincides with an increase in third age employees who, in past years, would have migrated to pensioner status.

Perhaps a more powerful view is to look at this through a long lens and note that the median age of UK employees is age 40 today, compared to age 30 in 1974.[1]

MEDIAN AGE OF UK EMPLOYEES[1]



The impact on pay awards

The median expected pay increase for the 12 months to September 2019 stands at 2% overall.[2] It's noteworthy that this projected rise applies across the workforce from the executive level down.

There continues to be a focus on aligning base salary increases of executive directors with the remainder of the workforce — consistent with the requirement to now evidence pay equity.

Meanwhile, any pay increases north of 2% are probably an attempt to keep pace with inflation. But attraction and retention also count as an important factor for certain roles.

Skilled people wanted

In a February 2019 quarterly report, 71% of organisations said at least some of their vacancies were hard to fill, which is higher compared to the same period in 2017. Almost two-thirds (62%) report that these persistent vacancies are skills based.[2]

Some sectors — specifically care, retail and hospitality — were faced with the need to increase the National Living Wage this year by 4.8%. As well as meeting this mandatory requirement, these employers also have to consider how they will maintain a differential between lower-paid workers and other staff moving up the hierarchy. It's a tough riddle to solve in a world where 2% across the board is the norm.

It's interesting that recent Brexit-related political and economic turbulence hasn't slowed hiring intentions. Data collected in autumn 2018 still showed a strong demand that put recruitment and retention pressures on employers. Roughly one-third (34%) of respondents cited difficulty in retaining staff over the past 12 months, compared with 27% the previous summer.[3,4]

The upshot for employers

Talent attraction and retention still stand as a top priority. With little movement on pay overall, this pursuit requires a strong brand and EVP — plus managers who are better equipped than they are currently. They have to both support and challenge employees in equal measure, to help increase engagement, maximise potential and boost productivity.

Jenny Packer
Senior Consultant,
Total Reward Group, a Gallagher company

Jenny has worked in the HR and reward industry for over 20 years. Her expertise ranges from employee engagement, employee relations and manpower planning to managing annual pay reviews, job levelling and benefit provision.

Understanding and delivering the value of employee financial education

It's a fairly safe bet that few, if any, job candidates refuse an offer because their benefits don't include financial education. Once they're hired, though, many employees will be grateful for the opportunity. And employers that commit to providing a good programme are just as likely to appreciate the value.

Financial education has the potential to reduce costs by positively impacting presenteeism. And helping everyone — from the 'top floor' to the shop floor — become more financially savvy and retirement-ready costs little to nothing. It can be as simple as making use of resources on hand and communicating what 'better' looks like from a money management perspective.

Presenteeism has reached an all-time high. And it's rising in spite of a fall in absenteeism, or possibly because of it.[1] Research reveals that, on average, employees spend 2.5 weeks a year at work despite feeling unwell, costing businesses around £4,000 per person per year.[2]

£4,000

PER PERSON PER YEAR COST TO BUSINESS FOR WORKING WHILE UNWELL[2]

What has this got to do with financial education? Organisational wellbeing — and all of the proven engagement and productivity benefits it brings — involves managing the physical, emotional, financial and career wellbeing of the workforce.

All these elements are intrinsically linked. For example, money worries are known to represent the biggest source of stress for UK employees.[3] Many of them face increasing personal debt, demanding financial commitments and a limited ability to save for the future.

Almost half of the workforce frets over an inability to retire given the state of their finances, and 1 in 3 loses sleep because of this concern.[3] Some of those in the two youngest generations don't even bother thinking about paying into a pension plan: they've got enough on their minds just trying to meet day-to-day living expenses.

'Will you still need me ... when I'm 64?'

The retirement predicament is borne out in figures that show 10.4% of individuals are working beyond the age of 65, double the number in 2000. For women it has nearly tripled.[4]

10.4%

OF INDIVIDUALS WORK BEYOND AGE 65[4]

People are sleepwalking into retirement. Arguably, they always have — but in the past, many had a job for life and employer-paid defined benefit pension schemes. Trustees took all the tough decision-making out of their hands, so it didn't matter as much.

All that has changed in the extreme. For a start, people are living longer — but not necessarily in better health — so potentially they face a longer retirement with care needs to fund. If pension funds are looking slim by retirement, they'll probably end up working later in life, which brings its own difficulties.

Now, individuals need to make their own choices around protection and savings. In order to do this, they need to understand what they're buying, their available choices, and the implications of those choices for their unique needs and lifestyles. This is pretty complicated stuff.

The trouble with the default

Everyone needs a default position and can agree it's better than nothing. But both the default pension funds and auto-enrolment — or company-chosen contribution rates — are not based on an individual's income replacement needs, but rather on the generosity of their employer.

Employees need to understand how much of their financial need the employer is actually funding. Matched contribution rates suggest it could be half but in reality it may be a quarter, or worse still, even less.

Upon retirement, those who relied on the default position alone are likely to find a huge variation — between the amount in their pension fund and the extent of their liabilities.

Plus, the default position was designed with a job for life in mind. Work is now much more flexible and fluid. Consider the opportunities employers now offer for maternity and paternity leave, sabbaticals, retraining and other breaks from work.

If individuals don't understand much about money — even the basics, such as how compound interest works and how funds can be eroded too quickly — then it's difficult to know what they need in retirement. And it's really difficult to make adjustments with confidence throughout their working lives.

Pension freedoms have added further complexity. There's no longer an obligation to buy an annuity on retirement. From age 55, individuals can now draw down as much as they like from their pensions. Up to 25% can be taken as tax-free cash and the rest as earned income.

In short, pension funds need to be looked at in a different way. They need to last longer. And people need good advice and direction.

The right place at the right time

Some employers shy away from involvement with employees' financial wellbeing because they're concerned about breaching an unknown regulatory rule or making other mistakes. But they're perfectly placed to help.

Organisations understand the risk cycle of employment. They have no financial interest in selling products. And helping prepare their workforce to take control of a more informed and secure future shows they care — about the whole lives of these employees.

The fact that many people now enter a longer retirement at a later time, with the option of drawing down their pension fund, means that 100% reliance on a default position isn't going to cut the mustard.

The fact that many people now enter a longer retirement at a later time, with the option of drawing down their pension fund, means that 100% reliance on a default position isn't going to cut the mustard. Consequently, employees need to be encouraged to think more broadly about lifetime savings.

Financial education is all about helping employees establish a healthy relationship with money. That takes nothing less than a clear understanding of current realities, which makes it easier to accept and act on them. About 50 or so years ago, people had no idea that too much saturated fat was a problem. But back then, the potential consequences weren't so grim because there wasn't as much convenience food around and people walked a lot more.

The point is, helping senior executives enjoy the retirement they'd hoped for is important, but so is helping someone on an average salary to get by in life. There couldn't be a stronger business case than this: boosting financial wellbeing reduces stress, which reduces employees' presenteeism and increases their productivity — at a minimal expense.

Mark Childs
Managing Director,
Total Reward Group, a Gallagher company

Mark's expertise in human resources and reward is derived from the senior HR positions he previously held in five FTSE 100/Fortune 500 firms. He is a Chartered Companion and former Vice President Reward of the Chartered Institute of Personnel and Development (CIPD), and an author, commentator and contributor to numerous reward publications.

Kuljit Dev
Chartered Financial Planner

Both a Chartered Financial Planner and a Certified Financial Planner, Kaz advises private clients and high-net-worth individuals on a range of financial planning needs. He specialises in estate, tax, investment, and pre- and post-retirement planning. Kaz is also a Fellow of the Personal Finance Society.

Steve Threader
Managing Director,
Employee Benefits

With over 30 years of experience, Steve brings insights from his early career advising individuals on how to manage assets to the world of employee benefits. There, he helps employers structure effective and relevant benefits while ensuring they're communicated in a way that engages employees and drives a return on investment.

Why better employee communications maximise return on benefit investments

Employee benefits are more important than ever in the quest to achieve an engaged, loyal and productive workforce. So they should command a significant investment. The thing is, for employers to see any real returns, the workforce needs to understand, use and value them. It's as simple as that.

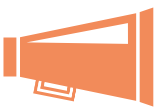
Lists work well for shopping and chores because people know what they want and need, but providing employees with a list of available benefits doesn't cut it. They often have little to no idea what choices are best. Instead, communicating with the workforce on an emotional level — helping to ensure they understand the value that benefits could provide them and their families — optimises outcomes for employees and employers alike.

It's clear that benefits are still high on the agenda and a key driver to attracting and retaining top talent, with almost half of organisations planning to make changes to benefit plans in 2019. But employers lose when these investments are not used, and therein lies the problem. Businesses are on average spending over £15,000 per employee per year on 'reasons to stay'. At the same time, over one-third identify poor communication as a barrier to a successful programme.[1]

The bottom line on this investment — however big or small — is that benefits become redundant if employees have no true sense of their worth.

36%

SAY COMMUNICATING ABOUT BENEFITS IS A CHALLENGE[1]



Effective communication around benefits not only has the power to educate and inform, but more importantly, brings the potential to make a real emotional connection with employees. It's a golden opportunity to respond to that basic human instinct that asks, 'What's in it for me?'

Listening to what employees want and communicating how their benefits can tangibly address those desires is essential for sustaining awareness, interest and engagement. Ultimately, this practice will spur return on investment.

On-budget digital communications, on demand

Any realistic communication approach needs to be grounded in the essentials of budget and resources that are often tight. And an online benefits system can meet these requirements whilst providing a great foundation for cost efficiency. Advances in technology mean that many providers now offer systems that come with basic communication tools — including email alerts that direct employees to the portal or flag new benefits.

However, to ensure this type of solution truly engages employees, it must form part of a wider, integrated communication approach: one that is carefully aligned with the organisational strategy. Employees deserve to understand how they fit into the business equation. And above all, that includes how their employer looks after their wellbeing as a 'whole person', from compensation and benefits to retirement — in a way that interconnects their health, wealth and career.

When considering technology, it's important to keep in mind that communicating benefits within a flex platform has constraints. It lacks the capability to promote the crucial three C's: culture, career and compensation. Plus, communication is often limited to the annual flex 'window' alone.

An all-encompassing online benefits portal, on the other hand, can help bring all these elements into play on an everyday basis. It should be combined with other cost-effective communication support, such as line managers and wellbeing ambassadors who are equipped and enabled to drive messages and behaviours. In total, the employee experience has to speak to the individual in a meaningful way. Commercial digital media sets that standard.

As consumers, employees are already immersed in online information access and transactions. The right digital tools, data and insights make it possible to deliver more relevant and timely communications — in other words, personalised messaging and support that is far more likely to drive better results.

The antidote to information overload

In this digital age, when everyone can easily become overconnected, new communication channels add to the saturation. That's why employee communications should work to cut through the noise rather than amplify it. And personalisation — displaying genuine empathy — is key to capturing attention and influencing behaviours.

Psychographics that identify interests, attitudes and opinions are just as important to understanding employees as they are to understanding customers. Yet research and data are often overlooked when planning internal communication projects.

Executives and managers can easily forget that their workforce — one team united around the same business goals — are real people dealing with all sorts of individual issues outside of work. Concerns like debt, buying a house and family caregiving, to name a few, leave many preoccupied in their 'off hours'.

Amongst all of life's pressing priorities, there's little opportunity for an employee to search out a level of cover for life assurance or the tax implications of pension schemes. Employers that seek to understand what their organisation and its people need — to be whole — will motivate employees to show up each day and focus on doing their best work. But only if they act on those insights.

Specifically, communications should help employees understand how their benefits will protect them and their families. Reaching out to them about why life assurance will minimise worry, for example, can reduce stress. Just as explaining how a pension can be maximised to support a happier retirement can boost optimism.

When employees sense their employer is attuned to what's going on in their world, it helps increase their productivity, engagement and wellbeing. It's important to keep an ear to the ground — always listening and learning — and then using communications to demonstrate how benefits can add value to their lives.

Good mileage from existing vehicles

Research finds that a barrier to effectively engaging employees in benefits often occurs at the line manager level.[2] Already strapped for time to communicate benefit programmes, middle management is often ill-prepared due to insufficient information and training. So they may also lack the knowledge and confidence.

To close this communication gap, it's well worth educating line managers and stakeholders on key messages, so that they can help address front-line conversation and support objectives around new initiatives and changes. It's also important to provide these person-to-person behaviour influencers with cost-effective alternatives to mass communication, whilst ensuring the methods used contribute to the intended outcome.

Employers can gain additional insights by determining what keeps their HR and benefits team busy. Ascertaining the most common transactional queries the team receives — the type of assistance employees need most regularly — allows them to refine communication, online tools and resources for more efficient handling of the demand.

This improvement also offloads work. And the upside may include an opportunity to reduce headcount, shift the focus of team members to helping employees with more personal issues, or both.

The most expensive communication cost

Employee communication doesn't have to be costly. But the lack of it can take an enormous toll on investments in compensation, benefits and culture — and that price tag may be much higher than spending selectively on communication. It's difficult to compete for talent without rewards, but all too often they're only as effective as their supporting communications are.

Consider the cost of an ageing workforce that can't afford to retire because they haven't put the appropriate retirement provisions in place. Likewise, the outlay involved with an employee signed off on long-term, stress-induced sick leave can be exorbitant. In both cases, properly communicated and utilised wellbeing benefits may well have spared the expense.

FIVE STEPS TO POWERFUL EMPLOYEE COMMUNICATIONS

1. Identify targeted behaviour changes and organisational outcomes.
2. Build a communications strategy that's aligned with the business strategy.
3. Quantify the forms of investment required — time, money and effort.
4. Communicate with purpose and emphasise why 'the what' of each message matters to employees.
5. Stay results focused and maintain an ongoing dialogue to maximise engagement and behavioural results.

Getting a foothold on strategic employee communication starts with defining what's most important to achieve for employee and organisational wellbeing. Employers should then tailor their approach to meet these objectives whilst improving the efficiency, engagement and loyalty that determine the strength of business results.

Samantha Healey
Head of Consulting,
Employee Communications

Samantha's clear, honest and creative communication has helped some of the world's leading organisations to engage their employees in an emotional, intellectual and impactful way — by developing and delivering best-in-class communication strategies across the globe.

The case for transferring defined benefit ill-health early retirement liabilities

Switching from a defined benefit (DB) to a defined contribution (DC) pension scheme can bring substantial cost savings, but it can also bring risk. Where the DB scheme allowed for ill-health early retirement (IHER) pensions, any existing members unable to work in the future could find this particular benefit severely hit. Fortunately, there is a way to achieve long-term savings, and at the same time, provide a platform that factors employees' needs into the equation.

Some group risk insurers will now consider buying out an employer's IHER liability. This involves transferring the risk from the DB scheme and effectively removing it from the balance sheet. The catch? The deal will probably include an agreement to put in place the insurer's group income protection (GIP) scheme. But considering the wellness structure that's now associated with such arrangements — is that really a sticking point?

A specific look at the potential IHER liabilities of a DB scheme provides a good reference point for understanding what is at stake. Say a worker aged 44 and earning £33,000 a year has to retire early due to ill health after two years with a company. This person's claim could amount to £426,000, and in some instances, it can cost more than £700,000.

A sudden unexpected liability of this kind can easily place a strain on the stability of the DB scheme, potentially prompting The Pensions Regulator to insist that the employer top it up with an immediate extra contribution. And this detrimental impact extends to the risk profile and balance sheet as well.

Of course, putting in place an insurance policy that specifically covers the IHER liabilities is an option. Many companies do just that to ease the pressure, but the policy doesn't remove it completely. Alternatively, transferring the risk — effectively allowing an insurer to buy out the IHER liability — is an idea worth exploring.

This choice offers employers a way to not only completely remove substantial costs from their balance sheets, but also to improve their overall wellbeing proposition — through a robust GIP programme. Essentially, it amounts to a significant risk mitigation opportunity for those facing potentially big liabilities in the future.

Back to basics: what's the big risk for employers?

As there is no way of knowing if or when an employee will have to stop work due to ill health, unexpected early retirement represents one of the biggest threats to DB pension scheme funding. How much employees receive in these circumstances depends on the rules of the scheme, but in many cases they're entitled to the full pension they would have received had they continued working until retirement age. And that means a risk for both the scheme and the employer.

IHER liability risk transfer

In addition to closed schemes, there are a lot of DB schemes out there that are only partway through being reconstructed. They're closed for future accrual, but the liabilities they still carry often include huge IHER.

The funding rules around these liabilities are very stringent. According to the Statutory Funding Objective set out in the Pensions Act 2004, all DB schemes must have sufficient and appropriate assets to cover their technical provisions — or the amount required to meet their liabilities according to actuarial calculations.[1] Consequently, many employers have to plough money into the schemes every year to meet these requirements.

IHER liability risk transfer represents an innovative way of reducing the impact on an employer's funding position and balance sheet whilst protecting against potential future increases in their contribution rate.

How does it work?

The benefits of IHER liability risk transfer are exemplified by a large retailer that closed its healthy DB scheme and replaced it with a DC scheme. This switch created some substantial cost savings — reducing employer contribution rates from 16% to 10%.

However, it also highlighted two key issues. Firstly, closing the scheme was detrimental to anyone whose health meant they were unable to work in the future. And secondly, a number of employees were being paid a self-insured benefit — the main driver of a £5 million liability on the company's balance sheet.

The company wanted to find an answer to these issues — one that met the needs of employees as well as the business' own desire to ensure individuals were looked after.

FIVE REASONS
TO TAKE A LOOK AT IHER LIABILITY RISK TRANSFER

1
Eliminate the need to fund a DB scheme ill-health liability by completely removing it

2
Protect against potential future increases in the contribution rate

3
Allow for accurate current and future cost predictions and reductions

4
Ensure the ability to meet responsibilities to employees at their time of greatest need

5
Support a culture of organisational wellbeing

A tailored GIP scheme met both cost and care objectives. The solution helped to fulfil the company's overriding financial priorities with regard to three-year income replacement. And it dovetailed nicely with the company's sick pay scheme. Notably, it included access for employees to a vast array of early intervention and rehabilitation services.

Anyone unable to work after the three-year period would be paid a final lump sum of 100% of salary. In addition, in return for a one-off premium payment, the insurer took over the responsibility for paying those receiving an IHER benefit — releasing the obligation from the company's balance sheet.

As employers and insurers calculate liability in very different ways, the business was able to transfer its £5 million liability for an outlay of just £1.5 million — making a massive difference to its balance sheet.

Whilst the buy-out premium is often very similar to the value of all claims paid to expiry and is a capital-heavy transaction, removing a capital-intensive, long-term liability from a former DB arrangement can yield some very positive results for the trustees.

Why don't more companies use it?

There are no regulatory issues with transferring pension scheme IHER liabilities to an insurer. However, not all DB scheme liabilities are suitable for transfer. There may also be situations in which transferring does not significantly affect the cost to the company. In such cases, insurance might represent a better option: capping the risk profile by providing an alternative to funding, and bearing the weight of an uncertain liability.

Other potential barriers include the fact that this is a very complex undertaking. So it requires a lot of work to identify whether or not a liability is viable for transfer.

What's more, only a very limited number of insurers currently offer this option. And they apply strict criteria that limit the opportunity and ability to transfer, including the likely need to take a tailored GIP scheme.

And the impact on organisational wellbeing?

IHER risk transfer has obvious advantages for a company's finances and contributes to its total wellbeing, too. This arrangement directly supports employees' health through the many free 'added value' wellbeing services that come with GIP schemes.

Employers can use these health services to create or improve the structure of their policies around rehabilitations, early intervention and prevention, ensuring a much more joined-up approach to benefits, compensation and retirement. Integrating these elements will help resolve risk mitigation challenges and promote the growth of the entire company.

Graham Yearsley
Head of Risk & Healthcare

Graham is the leader of Risk & Healthcare and a principal adviser on the development and delivery of large employee benefit schemes, focusing his expertise on risk both in the UK and internationally. He is also practised in cultivating strong working relationships with key employee benefit providers in the UK, which allows him to obtain highly favourable terms for clients.

HR LEADERS

Management or culture — which is the most important to get right?

There's a very good reason why it's difficult to decide whether to focus more on management or culture: these business drivers are intrinsically linked. So the only real choice is how to go about getting both of them right. Once determined, that formula will bring tangible improvement in employee productivity, absence — and just about every other organisational performance metric imaginable.

Developing a strong EVP can be a good first step towards defining organisational culture. An EVP that strongly resonates with the workforce must manifest throughout the employee experience. But it takes inspiring leadership to focus on the facts in a way that directly and effectively connects with people collectively, at a personal level.

The new normal

A recent study showed that what's most important to workers isn't salary but the value of work.[1] This marks a genuine first in the history of employment. The past few years have seen a shift from rewards to relationships, and responding to this trend is critical to developing a workplace culture that not only retains, but also attracts top talent.

Graduates entering employment are the groundswell of support for this newer emphasis on quality over quantity. Rather than focusing on salary above all else, they consider the value in the work itself, an interesting career path, mentoring opportunities and how well they think the employer will treat them. A recent history of incredibly fierce competition in the job market and a change in motivations and perceptions also contribute.

It's a misnomer that older generations hold vastly different views. Workers have always had feelings of self-worth and a desire for personal development. It's the workplace dynamic that's changed. The days of the job for life followed by the gold-plated final salary pension belong to a bygone era.

Today, employees are more empowered than ever before, and that owes as much to their shifting attitude about work and life as it does to the economy. Organisations need to understand and prepare for this, because the right culture has never been more fundamental to their success. If leadership doesn't make it a priority to constantly fixate on workplace culture, they'll pay the price in the future.

Getting started

The first step is for leaders to get on the same page about what they stand for and where they're going as an organisation. They need to agree on a strategy that takes an ambitious direction and be realistic about how they'll get there. A key part of this process is clarifying what's unique about their business and what they want their staff to think and feel as invested participants.

Once this strategy is in place and there's a drive from the top down, employee research should follow. The findings will allow leaders to test their ambitions against the reality on the ground — insight that's crucial to ensuring key stakeholders and leaders are aligned. And then it's about using this information to curate an experience throughout every touchpoint of the organisation, taking into account every employee interaction.

In working their plan, HR leaders should guard against the lure and the letdown of whimsical ideas and misguided business cases. Mimicking another organisation's persuasive EVP or shiny new app may not be the right answer, and not only risks wasting time and money, but also compromising the employee experience. That's why it's so important to take a tailored approach. It's an investment that can steadily pay off.

An energetic workplace culture requires an understanding of what is and isn't working — and that involves taking the pulse of the organisation on a regular basis. The team in charge of cultural caretaking needs to go out and meet people on the ground, including speaking with employees who are leaving and those who have just joined. Most importantly, they need to gather feedback from a representative workforce sample.

When employers examine every aspect of the employee experience, they can see more clearly how to appoint or train leaders who drive holistic organisational wellbeing. Only then can they deliver a resiliently positive culture that empowers them to compete with confidence — well into a profitable future.

Matt Frost
Business Development Director,
Employee Communications

Matt crafts messages and creates campaigns that help employers think strategically, emotively and intelligently about engaging their people. His goal for clients is an employee experience that connects the dots between the business, HR, total rewards and benefits strategy.

Work-life integration — why getting it right leads to happy, healthy and productive brand advocates

Constant connectivity is clearly sending stress levels at work and at home through the roof. Even when the work week ends, job-related email often doesn't. Likewise, the influx of new digital channels like video conferencing and employee social networks can keep employees tied to the office, wherever that may be. Killing the weekend wasn't the original intent — productivity was, and still is. But the 24/7 pursuit of it has created the opposite effect.[1]

Mounting evidence shows that people need to switch off in order to do their best. But while the better organisations — those that integrate health, engagement and culture — encourage and enable work-life integration, it's actually incumbent on the individual to embrace this opportunity. Each employee must manage their time spent working because work-life balance is inherently personal.

Hours vs. output

Two or three decades ago, people thought success in climbing the ladder was based on spending enough time in the office and staying close to the boss. Nowadays, many employees seem to think the way to advance is by demonstrating they are 'always on'. By constantly connecting to the workplace through various digital tools and logging as many hours as possible, they believe they'll prove their worth.

However, a correlation between the number of hours worked and actual output doesn't exist. There's only a set amount of decisions the average person can make before 'decision fatigue' sets in. That's why bad or hasty decisions often follow a full day of making trivial judgements.[2]

Lack of sleep only makes things worse, which means staying up late working on the laptop or phone can actually reduce productivity. A recent study by the University of Florida found that losing just 16 minutes of sleep can lead to poorer judgement, increased stress levels and a less productive day.[3]

LOSING

16 minutes

OF SLEEP CAN LEAD TO POORER JUDGEMENT, INCREASED STRESS LEVELS AND A LESS PRODUCTIVE DAY[3]

Paternalism – alive and kicking

Efforts are being made to combat what's now an epidemic of worker burnout. In France, the government has brought in a law establishing the worker's right to disconnect, which requires organisations with more than 50 employees to set hours when staff shouldn't send or answer emails.

While this is a well-meaning attempt to tackle the problem, it does nothing to promote the autonomy, empowerment, flexibility and other freedoms that employees want from their employers. The strict timing even hints at an era when employers tightly controlled not only what their employees did minute by minute, but also how and when. For most industries, a rigid leadership model isn't a healthy or profitable fit for today's workforce. Decreased autonomy also extends its negative effect on work to the delivery and use of work-life benefits themselves.

1 IN 5

ALLOW EMPLOYEES TO CUSTOMISE INDIVIDUAL BENEFIT PACKAGES[4]

A recent benchmarking survey found that just 1 in 5 organisations allow their workforce to customise their individual benefit packages.[4] The way to solve the issue of counterproductive constraints is to trust and empower employees to make decisions that are right for them, their team and their work. And when things aren't working, employees should expect their managers to have grown-up conversations with them.

This is why the organisation's approach to work-life balance is so important. While personal choice, trust and accountability are key, it's the culture of the organisation that will drive change in the long term.

A question of trust

Ensuring that work-life balance is part of the organisation's cultural DNA relies on leaders and managers who both trust and respect their employees and wholly champion an environment of wellbeing. They will only be able to do this if they're fully equipped to manage sensitive discussions and situations.

Over the past few years, some big-name global brands have overhauled their corporate culture and brought in work-life balance policies such as 'unlimited time off'.[5] Employees are judged not on the hours they work, but on their performance and their output.

There's also been an increased focus on employee wellbeing, including mental health. For example, employers are becoming more aware of the need to discuss issues outside of work that may impact performance at work. And apps have entered the market on the heels of growing interest in supporting both mind and body.

But regardless of these welcome changes, benchmarking survey results show that flexible working practices are often limited to variable working hours. Momentum in this area remains slow despite advances in technology that make alternative work set-ups, such as teleworking, much easier.[4] This suggests that many employers are struggling to create a more inclusive and employee-focused work environment.

Overall, the potential for productivity gains outweigh the risk of any abuse of an improved approach to work-life balance. Employee motivation and brand loyalty are likely to get a boost from the integration of flexible policies in the workplace.

Why is this important today?

HR directors and other business leaders are beginning to see a decline in the competitive advantage of pay and benefits. This traditional combination of total rewards is no longer enough to attract and retain the best staff. But that leaves employers with a wide open field of options for squaring off over the increasingly important employee experience.

Millennials and Generation Z are entering the workforce with different expectations of their employer than earlier generations had. The experiences they're offered tend to matter a lot. They believe their chosen organisation should exist for more than just making a profit, and the opportunity for work-life balance usually sits high on their list, too.

Employers must demonstrate consistent delivery of work-life balance and career opportunities to outplay their competition.

What's next?

The profitability of a company will always be a focal point, but it shouldn't become the lone obsession. Life is tough. And people generally go through the same stages: starting out in a career, buying a house, having children and then financing their needs and aspirations, caring for older and sick parents, managing debt and building savings. While this list may not be exhaustive, it can be exhausting to manage.

Recognising these life stages and committing to actively supporting employees as they transition through them is a huge ask of employers, but also a huge opportunity.

Regulation is struggling to keep up with the rapid evolution of workplace technology and generational needs. It's therefore crucial to press the government to get more involved. One option is backing pilots in the public sector. Or perhaps private companies could be offered tax incentives for providing schemes, with the necessary platform for management on the ground, to adopt better work-life practices.

Momentum must also come from employees. By banding together, they can become a powerful influence on improving the environment, culture and use of technology in the workplace.

At the end of the day, this issue goes beyond work-life balance — it's about reframing the whole fabric of the organisation. Leadership needs to dig deep for an answer about how they believe they should treat their people. And the pivotal question is, 'How do they want to be perceived both by their staff and the outside world?'

Matt Frost
Business Development Director,
Employee Communications

Matt crafts messages and creates campaigns that help employers think strategically, emotively and intelligently about engaging their people. His goal for clients is an employee experience that connects the dots between the business, HR, total rewards and benefits strategy.

Implementing an effective digital benefits plan without blowing the budget

There's certainly an advantage in supporting the benefits scheme with a bespoke digital plan, but it doesn't need to translate into an expensive all-singing, all-dancing flex site. Doing the right thing by employees is about new ideas and strategies for connecting with them online and offline — not emptying the wallet. And that's how employers can do the right thing by their business, too.

Well aware of their worth in a buoyant job market, employees continuously look for opportunities to increase their total rewards. The more flexibility a benefits package offers, the more likely it is to appeal to a multigenerational workforce with a diverse lifestyle wish list. Under these circumstances, flexible or voluntary benefits can ultimately give employers an edge over their rivals.

Ditch the misconceptions

Some employers forgo the potential advantages of flexible or voluntary benefits because of misconceptions. It's not uncommon, for example, to assume these options are too complicated for often overstretched HR teams to administer. In fairness, there's some merit to this argument — but only if benefits are offered through multiple systems that are not integrated, or unable to talk to existing HR systems. Payroll often comes to mind.

There's also the challenge of providing a digital experience that meets the high standards set by employees' affection for their personal devices. Whether Apple or Android devotees, most are conditioned to expect a consumer level of ease and enjoyment.

A streamlined process for providing benefits avoids a chaotic experience for frustrated employees. When they don't have to work hard to understand, access and choose their benefits, they're far more likely to use and appreciate them. Benefiting from benefits can then become the workforce motivator that it should be. With the right digital plan, employers are in a better position to make good on promises to employees whilst delivering cost-effectively on organisational wellbeing objectives.

In most cases, integrating flexible or voluntary benefits onto a single platform is recommended. Employers may hesitate to invest in a digital platform, believing that the loss of their pension commission subsidies has raised costs.

But flex suppliers have also been forced to increase the quality of their platforms to stay competitive. That means there's a wider range of price points now on the market, and a greater choice of tools and personalisation options. So cost has become less of a barrier to value.

Plan, personalise and communicate

The key is to adopt a personalised approach to the digital plan. Consider what outcomes the organisation truly needs and the benefits employees actually want. For smaller employers, a simple platform with a digital communications tool — and the option to scale up later — may be enough of a start.

Off-the-shelf tools do have their place — even on a smaller budget if personalisation is a feature. When competing for talent, smaller employers may not be able to match or outbid their larger opponents on salary. But meeting or even exceeding their level of flexible or voluntary benefits can even the playing field.

Fresh insights and inspiration also lead to cost savings. Gathering feedback from employees and analysing utilisation are two of the better ways to optimise benefits. Organisations can then identify and cut options that don't interest the workforce or fit with the culture. And this gives them an opening to re-invest cost savings in funding a new, fully personalised online benefits system.

Digital benefit plans bring enormous potential for both employer and employee gains — but they don't succeed without offline communications. Only by interacting with employees in person is it possible to design, implement and improve what is, after all, a human experience. The voice and opinions of the workforce should be built into the digital plan — from the choice of platform through ongoing improvements.

Knowledgeable, internal benefits champions should also communicate directly with employees to engage them on an emotional level. This kind of intervention helps bridge the digital divide, and ensures a good understanding and appreciation of the total rewards package.

It's important to remember there's no universally superior digital benefits plan. Each can be equally effective, but must fit the employer's unique needs, benefits proposition and budget.

THREE STEPS
TO IMPLEMENTING AN EFFECTIVE DIGITAL BENEFITS PLAN

STEP 1
Plan and analyse

- Start with sector-specific benchmarking against competitors — evaluate their total rewards packages to identify opportunities to create an advantage
- Find out what employees want most from a benefits programme — engage them through surveys, focus groups or benefits champions

Both exercises can be performed in-house with little or no budget, and will inform a solid starting point for the digital strategy.

STEP 2
Select the digital platform supplier

- Audit the technical credentials of the shortlisted platforms — understand what each system does, its ability to integrate with current HR systems, the scope of customisation and the expected employee experience
- Choose a supplier that can understand the business and its future needs — look for a long-term partner that can deliver on a future-proof plan

Employers should trust their gut when it comes to suppliers, because they need to be comfortable with the same partner in 3, 5 and 10 years.

STEP 3
Communicate, implement and review

- Begin to launch supporting employee communications before implementing the new benefits system — promote key features and emphasise the value they bring to individuals
- Get an implementation roadmap from the supplier — confirm that it includes a robust planning methodology
- Review the benefits and the platform regularly — identify the benefits that are underutilised or adding value, and whether they continue to fit with cultural values

Allow an average of 3-6 months from initial employee engagement to implementation, and keep in mind that this is a long-term strategy, not a quick fix.

Emily Gillmore
Flex & Online Director,
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Working on all aspects of employee benefits, Emily's focus is on platforms that can be used to enhance and administer those benefits. She has a genuine passion for helping employers get the most out of what they offer and ensuring employees understand the full value of what they have.

Increasing employees' grasp of pensions — how to guide the shift towards individual responsibility

Over the past 20 years, both the concept of retirement and its provision have changed beyond recognition. Getting to grips with this will help both employees and employers steer a smoother course to a more secure future.

Pensions were once seen as a golden handshake: after 40 or so years of working, employees received benefits from their employers that funded their retirement years. Satisfied in knowing they could rely on income for life, there wasn't any need to understand how their pensions worked. And that pot was sweetened with the confidence that, after they died, their families would be well looked after, too.

What a difference 5-10 years can make. In this short period, the bulk of the responsibility for ensuring individuals have saved enough to retire comfortably has now been transferred, from the employer to the employee.

Unfortunately, this about-face represents one of the worst public communication exercises in recent times. Confusion and distress caused by a lacklustre marketing campaign and constant legislation shifts were only amplified by endless negative media scrutiny. The upshot is a workplace pensions time bomb that only greater employee understanding can disarm.

Take a fresh look at auto-enrolment

Auto-enrolment may seem like a panacea to some. Under the current rules, everyone earning more than £10,000 per year has access to a workplace pension. And the level of minimum contributions recently rose to 8%, with 5% coming from employees and 3% from employers.[1,2]

The ability of auto-enrolment to increase the take-up of workplace pension schemes is beyond question. It has clearly helped more people to get saving for the future. But most employees and employers only make the minimum contributions — leaving those who make no other provisions with big gaps in their retirement savings.

While this level of saving is better than nothing, it falls a long way short of the contributions people need to enjoy a comfortable retirement. That's why it is crucial to ensure that employees understand the consequences of contributing only the bare minimum to their schemes under auto-enrolment rules.

If employers don't step up, the implication is that sticking with the government's recommended minimum is enough, which is simply not the case. Ticking that box also creates a false sense of security that will continue to store up problems for the future, even as minimum contribution levels continue to rise.

The onus therefore falls on the employer and the pension industry to educate employees. To make any real savings progress — that can support a secure retirement — they need to understand what 3% contributions will get them and what they actually need.

Expand financial education

It's notoriously difficult to get people excited about the topic of pensions — especially younger workers for whom retirement age seems a long lifetime away. Broadening the conversation to be more about general financial wellbeing is therefore a better way to increase engagement.

The main question for employers is, 'Do employees understand what they need to be saving?' In a way, better habits are less about increasing their understanding of pensions, and more about increasing their awareness of long-term saving advantages. However, individuals also need to be aware of what they have in their retirement pot and what steps they can take to increase that value.

Looking at financial wellbeing as a holistic concept — part of an integrated approach to health, engagement and culture — will allow employees to understand pensions better. They'll be able to see more clearly how these schemes fit into the bigger financial picture that includes their shorter-term goals, such as buying a house or sending their children to private school.

The overarching aim is to break down the stigma around talking about personal finances. And part of that is making pensions a natural topic in a wider conversation about money.

Financial education in schools is improving, which is encouraging and will help future generations. But at least two generations are lost in the middle. The challenge for employers right now is ensuring they provide employees of all ages with access to accurate and relevant information and advice. Success will depend on a strong communication strategy.

FIVE STEPS
TO HELPING EMPLOYEES SECURE A BETTER FINANCIAL FUTURE

1. Start a broader financial wellbeing conversation — provide advice and offer non-retirement savings plans
2. Empower employees by providing customised support — especially to those approaching retirement
3. Consistently talk about the savings gap — until the financial risk becomes clear
4. Try to see the world through employees' eyes — ask what is important to them
5. Take advantage of technology and data — use it to streamline the pension communication experience

Mind the gap

Lack of understanding about pension schemes is not the only reason employees are facing a huge retirement savings gap. Demographics also play a big role.

Funding the state pension, for example, has always been achieved by taxing the working population. But that will become impossible as the number of retirees grows. One in every 5 people in the UK was aged 65 years or over in 2017, the latest statistics available. And this is projected to reach 1 in every 4 people by 2037.[3] So it's not hard to see that the current model will have to change.

Uncertainty about the future of even low-level state benefits increases the importance of encouraging workers to plug the holes in their own retirement savings. And to do that, employers need to help them set realistic retirement goals — by clearly and consistently talking about the retirement gap. Individuals need to know where they stand.

Pension dashboards provide employees with a view into all of their pension savings in one place. This resource should help to simplify the message and give them a better idea of their status overall. But employees will still want to be convinced that a look at their dashboard is worth a few minutes of their time and attention. How dashboards are positioned, promoted and regularly reinforced will decide whether they're successful or just pass people by.

Of course, those convenient pension dashboard views will show a range of financial situations. There are many factors for employees to consider about when to enter retirement, including their desired age, other available savings or investments, and the expense of what they plan to do. With this in mind, employers should try to see the world through the pension recipient's eyes. And once again that calls for customised communications.

Greater consistency in government policy on pensions would also be a big help to both employees and employers. One of the main causes of confusion around retirement savings is that every political party that comes into power alters the legislation.

So the pensions industry is constantly having to change tack and jump through a new set of hoops. What's really needed is one framework that no one touches for at least 30 years.

Harness the power of technology

A large workforce makes it difficult to customise pension communications so that they focus on individual workers' needs. But technology and analytics can help employers make better decisions about how they curate the pensions dialogue, and tailor communications to different demographics.

The traditional website format should be avoided. Employees have little patience for working through swathes of information to uncover what's relevant to their own situation. Instead, employers should create an interactive experience that efficiently channels visitors to the content that's most valuable, using questions such as, 'What do you need today?' Chatbots and sophisticated pension calculators can also help employees define their retirement plans.

Where possible, it's better to provide such services internally rather than outsourcing them to the pension provider. General distrust of financial institutions will likely lower engagement, reducing the value for the employee.

Neil Strong
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As Director of Consulting, Neil leads the consulting and client service proposition. He advises clients on internal communication challenges spanning pensions and benefits, US healthcare, learning and development, and business transformation.

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INTRODUCTION

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About Gallagher

Better. It's something all companies strive for. Better outcomes from better performance. But how do you get there?

You start by building a better workplace. One that attracts, engages and retains top talent. What does that look like? It's a workplace where people feel they belong — where there's a stronger sense of developing a career than punching a clock. And a culture of opportunity that draws new talent because it inspires employees to deliver their personal and professional best.

Gallagher's comprehensive approach to benefits, reward, retirement, employee communication and workplace culture aligns your human capital strategy with your overall business goals. It centres on the full spectrum of organisational wellbeing — strategically investing in your people's health, talent, financial security and career growth. And developing benefit and HR programmes at the right cost structures to support a multigenerational workforce.

From evaluating the demographics of your workforce to surveying and analysing competitor trends, Gallagher helps you gather new insights and apply best practices that promote productivity and growth. A data-driven focus allows you to continually improve.

That's what it means to create a better workplace culture. It's about never being content to rest each time you reach your best. Your better is never finished.

As you develop and sustain this destination workplace culture, your people can thrive and perform at a higher level — optimising your annual talent investment and mitigating organisational risk to maximise your profitability. Best of all, you gain a competitive advantage as a workplace that simply works better.

Arthur J. Gallagher & Co. (NYSE:AJG), a global insurance brokerage, risk management and consulting services firm, is headquartered in Rolling Meadows, Illinois. The company has operations in 34 countries and offers client service capabilities in more than 150 countries around the world through a network of correspondent brokers and consultants.