


Benefits street



The illustration features a large, stylized hand holding a brown briefcase. Surrounding the hand and briefcase are several circular icons on a red background, each representing a different benefit: a lightbulb with a dashed line and scissors (suggesting ideas or savings), a stethoscope (healthcare), a bus (transport), a shopping cart with a percentage sign (retail discounts), a person at a whiteboard (training), a person in a patterned shirt (employee welfare), and a 100-pound banknote (financial benefits). The background is a light blue office setting with a desk, a lamp, and a chair.

With wages still struggling to keep pace with the cost of living, many employers are investing in creative benefits packages to keep staff on side and give employees something of genuine value, writes ANNIE MAKOFF

The UK economy may be recovering, but real-term wage increases are few and far between. According to the CIPD, average weekly wages are actually lower than they were in 2009, and figures released by the Office of National Statistics (ONS) in January revealed that earnings have been dropping consistently since 2010. ►

And yet the cost of living continues to rise. Inflation may be at a four-year low, but that is evidently not being reflected in people's pay packets. Even recent positive news from the EY ITEM Club Spring Forecast, which found wage increases are predicted to rise by 1.7% this year, only 0.1% above inflation, was caveated by a warning that growth in the workplace will temper wage rises.

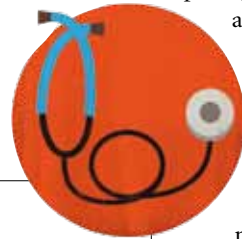
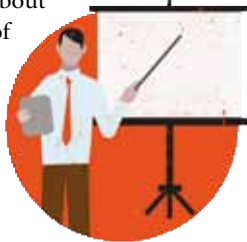
The CIPD's chief economist Mark Beatson has also pointed out that the Retail Price Index measures of inflation remain high. "Until we see clear evidence that business and consumer confidence are delivering investment and improved productivity, we are unlikely to see significant increases in real pay," he says.

With wage increases continuing to be an unsustainable option for most organisations, many employers are looking increasingly at their employee benefit strategies in which to support financially squeezed staff. In fact, according to a recent Edenred survey about 2014 benefit trends, the rising cost of living is likely to be one of the biggest drivers of change on the employee benefits scene. Only pensions auto-enrolment is having a bigger impact (see box, page 55).

Employee benefits are also proving more vital to retention rates than ever



It's about reviewing the entire benefits package and ensuring its suitability to the changing workforce. Younger workers won't necessarily want more traditional benefits



Beyond basic benefits

Wendy Menking, group HR director at Radisson Blu Edwardian, explains the hotel group's approach to benefits

"Our culture really encourages personal growth and development. A large proportion of our workforce are young, diverse and often at the beginning of their career, so we have a responsibility to do everything we can to improve their lives and give them long-term financial security. Satisfied employees mean satisfied guests.

"Currently, our benefit strategy focuses on pay and benefits, growth opportunities, development, and reward and recognition. And, in response to recent employee feedback, we are also developing our employee health and wellbeing offering.

"With the downturn, we wanted to offer benefits that could help our employees save money. So as well as basic benefits such as the onsite staff restaurant, two free nights per year at a hotel, childcare vouchers, a profit share bonus incentive programme and life insurance, we set up an online benefit programme in 2011. There are discounts from more than 9,000 companies and services, and we offer cashback for everyday expenditure such as travel, grocery shopping, mobile phone contracts, insurance and clothing.

"We are also implementing a fully integrated employee engagement technology suite. This will include Travelclub, where employees can book holidays with their cashback through Expedia, and Giftcentre, which offers a wide range of gifts and services. In addition, we have a new Benefits Bar that alerts you of a possible saving through the benefits site.

"Auto-enrolment implementation has really given us the opportunity to review and develop these benefits while helping employees to save and plan for the future."

before – 49% of employers polled in Edenred's survey said a reduction in benefits would have a negative impact on staff attraction and retention, and 21% noted that 'wage restraint' was creating an increased benefits take-up.

Add all these pressures together, and it's no wonder employers are getting more innovative with their strategies. But what approach should they be taking when looking at their employee benefit offering? Should organisations be favouring a paternalistic, nurturing style with a financial education element? Or is a more laissez-faire, self-help approach the way to go?

According to Matt Duffy, head of online consultancy at Lorica Employee Benefits, there isn't a one-size-fits-all solution. "It depends on the culture of the organisation," he says. "It's about reviewing the entire benefits package and ensuring its suitability to the changing workforce. Younger, more dynamic workforces won't necessarily appreciate the more traditional benefits that older employees might, whereas Gen Y may prefer a more innovative, self-help approach."

His view is backed up by 2013 research by Barclays, which damned one-size-fits-all packages as "not fit for purpose". Savvier HR and reward directors are realising they need to rethink their benefits offerings to attract and retain younger, cash-strapped workers, who often have different priorities.

Dan Grant is HR director at computer giant Dell, which employs mainly Gen Y staff. "A good work-life balance is important to them," he says. "They don't enjoy the work commute, they are no longer interested in working nine to five and they want the flexibility to come and go as their lives change."

Mindful of this, Dell introduced the Connected Workspace Scheme in 2010, enabling all employees – via a formal framework – to work remotely if they wanted to. The scheme was an expansion of an existing benefit that was initially applicable only to outside sales teams. Employees taking part in the scheme receive a monthly allowance towards their broadband connection and other utilities, which, as Grant points out, also creates additional tax savings in the long run.

"The scheme creates lots of cost-saving benefits for employees," he explains. "It eliminates a potentially expensive commute as well as personal time cost. You don't have that two-hour dead time in the car. And from a tax perspective, if you hire somebody on a remote worker contract, their travel from their place



Lots of our recruits are in high demand and can often take their pick of roles, so we're very aware of the need to make our company more attractive to prospective staff

of work to a Dell office is business travel."

Since its implementation, Dell has seen a demographic shift in its workforce too. The popularity for remote working has meant that staff no longer need to live within easy reach of a Dell office – they can move to a part of the country where it's cheaper to live: another major cost-saving benefit given rising rents in cities such as London. "Traditional geographic barriers have disappeared so it's no longer necessary to live near the office," adds Grant.

"Employees have more free time outside of working hours to do what interests them. We have retained a lot of talented individuals that we would otherwise have lost because of their personal circumstances."

This issue of retention is increasingly at the forefront of employers' minds when looking at their benefit strategies. The job market is picking up (ILM research from earlier this year found one in five people plans to find a new job in 2014) and companies need to hang on to their best talent. This is especially true of organisations employing a highly skilled workforce. At Crunch Accounting, an online accountancy firm for contractors and small businesses, its workforce has increased significantly over the past few years, compelling it to develop its benefits offering as the company grows.

"We had very little in the way of staff benefits when the company first started four years ago,"

recalls Kate Roper,

HR and recruitment

manager. "But that

has changed

exponentially. Lots

of our recruits are

accountants and java

developers who are in

high demand and can

often take their pick of

roles, so we're very

aware of the need to

make our company more

attractive to

prospective employees."

As well as providing a benefits package

around childcare vouchers, enhanced

maternity and paternity pay, private health

insurance and pension schemes with "higher-

than-average contribution rates", Crunch

offers discount schemes at local retailers and

yoga studios, which, as Roper says, "have an

obvious and immediate impact in reducing

costs". And because of Crunch's cycle-

accessible location on the south coast, much of

the team uses the company's cycle-

to-work scheme, helping them to avoid the

ever-increasing cost of commuting.

Offering employee discounts through

voucher schemes and online benefit portals is

an increasingly popular way of helping staff

finances go further, at little or no cost to the

employer. Natalie Vescia, national account

manager at voucher provider Wickes for

Business, says vouchers can be particularly

effective if they "go beyond a quick fix". "Some

employers like to offer cash, but that easily gets

2014 benefits trends

- " **Increased benefits investments:** One in five organisations said they will invest more in employee benefit packages, compared with just 7% that are cutting back.
- " **More-for-less approach:** 69% of organisations will be offering a wider range of low-cost, voluntary benefits, as well as implementing salary sacrifice schemes.
- " **Auto-enrolment:** This remains the number one priority.
- " **Cost of living is the second-most-important driver of change:** One in five said 'wage restraint' was resulting in an increased benefits take-up.
- " **Mobile benefit platforms will take a back seat:** Just 14% of employers ranked this as one of their top three priorities.
- " **Benefits for employee engagement rather than productivity:** 79% said benefit investment shows employers care about their workforce.
- " **Increased need to demonstrate benefits ROI:** 39% of employers confirmed their benefits were delivering a good return on investment.

Source: Edenred Benefits Trends Survey, 2014

swallowed up in everyday spend,” she says. “Vouchers are one way for businesses to support staff in the current economic climate.”

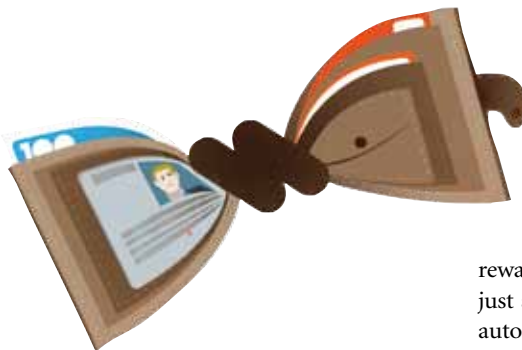
But, like everything else in this ever-more individualised world, voucher offerings and online portals need to have tailored options in order to be useful, says Alex Faulkner, HR director at Phones4U. After all, a childless twenty-something might not be that interested in a family ticket to Legoland, while an exhausted young mother might feel she has no use for a discount gym membership.

“Benefits have to be tailored to the individual needs of employees to ensure they receive genuine support rather than generic offers,” says Faulkner. “We introduced our Phones4u Extra online benefits portal following employee feedback, so we now provide over £1,000 worth of discounts to every staff member, ranging from fashion and entertainment to utilities and attractions. So whether they need a new kitchen appliance or a cost-effective family day out, we can provide them with real, tangible value.”

London Overground Rail Operations Ltd’s (LOROL) portal provides discounts for rail travel, hundreds of retailers, utility bills and insurance, and employees can also access childcare vouchers as well as LOROL’s healthcare and final salary pension schemes. The decision to introduce it came down to convenience and awareness of the need to help staff with rising living costs, says HR business partner Alison Bell.

“The main drivers were about creating a central place for employees to find out about everything on offer and being able to access it at home and through smartphone apps,” she

Benefits have to be tailored to the individual needs of employees to ensure they receive genuine support – with real, tangible value – rather than generic offers



says. “And, of course, due to increasing living costs, the amount of savings to be had were always going to make a difference to employees’ lives.”

For other companies, it is auto-enrolment implementation that has been the catalyst for reviewing entire reward strategies. Take L’Oréal. “Rather than just addressing our statutory duties, we used auto-enrolment as a launch pad to define a reward strategy that aligned with our employer value proposition,” says Ben Marks, compensation and benefits director at L’Oréal UK & Ireland.

As well as providing staff with a host of standard and voluntary benefits that helps save on tax and National Insurance, Marks believes the role of the employer is key in ensuring staff make the right choices and are protected for the future.

This is where financial education comes in. The Barclays research found 65% of Gen Y workers would like financial advice as part of their benefits package, compared with 46% of Gen X-ers and 38% of Baby Boomers. However, only 17% of the companies surveyed actually offer any sort of financial advice. But with auto-enrolment leading to increasing communication around pensions and savings choices, could this be about to change? Both L’Oréal and LOROL told *HR* magazine they fully intend to introduce some sort of financial advice offering during the next phase of auto-enrolment, suggesting other big employers may well follow suit.

“Our experience, particularly when it comes to pensions, is employees don’t feel they are sufficiently engaged or knowledgeable to make informed decisions,” says Marks. “We aim to provide the necessary advice and support, while encouraging staff to be independent and plan responsibly for their future.”

While offering a wider choice of benefits might not totally transform employees’ lives, having a little bit more in their bank account at the end of each month is only going to make staff feel more favourable towards their organisation. Help reduce the squeeze, and hopefully their plans for the future won’t involve leaving for another organisation with a better package. **HR**

Adapting rewards to keep up with changing demographics

According to a recent report by the Economist Intelligence Unit and Towers Watson, *Older, but none the wiser?*, employers are being forced by changing demographics to adapt their reward strategies. While Gen Y employees are demanding different types of benefits, the fact is that the UK workforce is ageing. Not only that, but the UK’s workers are almost twice as likely as those in other countries to want to keep working after their pensionable age. European Commission figures found 56% of Brits are keen on the idea.

So, are benefits offerings keeping up? The research suggests not: 48% of UK companies said they feel the benefits programmes they have in place will not be fit for purpose by 2020. To counteract this, 60% – by far the highest proportion in Europe – plan to change the employee benefits they offer, to give staff more choice over their benefits.

However, in important age-related areas, it appears UK companies are lagging far behind: only 28% of respondents in the report said they are planning to ensure the skills of older workers are kept up to date, and only 18% expect to adapt their strategies so that older workers who cut their working hours or responsibilities still feel valued in the business.