

Flexible benefits approach needed for new attitude to work

Employee benefits have changed in recent times, with a growing need for flexibility to respond to different employment trends, and a new focus on value rather than cost, finds *Tony Dowding*



The world of work has changed dramatically in the last few years, partly due to Covid. There has been a change in the way work is viewed in recent times, with jobs changing more frequently, a move away from the 'job for life' and a desire for greater flexibility in terms of working terms and conditions. All of which, together with the pandemic, has contributed to "the great resignation".

In this context, employee benefits is also changing. Paolo Marini, global head – customer and distribution management, Zurich Integrated Benefits at Zurich Insurance Group, says: "The world of employee benefits is undergoing a profound transformation, spurred by technology, a consumer-centric mindset, new employment models, and accelerated by Covid as well as remote work."

He notes that a few years ago the focus of the industry was on cost reduction and efficiency, but today the focus is more on the value of the benefits. "Perhaps because duty of care has come to the forefront and employers want to be seen as an employer of choice. There is a whole new attention towards the wellbeing of employees, and wellbeing in a very broad sense of the word, ranging from the physical such as health but also mental, social and even financial wellbeing".

He also notes the topic of diversity, equity and inclusion (DEI), and providing benefits that cater toward a different and inclusive workforce. He says that with up to five generations in the workforce, the demand for personalisation, flexibility and portability of benefits has become critical, and this is only achievable via technology.

Mattieu Rouot, chief executive officer, MAXIS GBN, agrees about flexibility: "A job for life is a thing of the past. People, particularly Millennials and Gen Z, are looking for much more flexibility in their career and are happy to explore new opportunities, roles and industries... Reports all around the world suggest employers in almost every industry are facing high levels of resignations. They're looking for ways to keep their most-valued people."

He says benefits, and particularly insurable health benefits, are no longer a 'nice to have' but instead are a deciding factor. "Employers must move with the times. An effective employee value proposition is key for attracting and retaining the most talented people, and a great benefits package is a big part of that. By offering benefits that people value the most, multinationals can try to protect themselves from losing their most talented people," he says.

Ludovic Bayard, CEO of Generali Employee Benefits (GEB), says: "The world of employee



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Ludovic Bayard, Generali Employee Benefits

benefits has not actually changed, or at least, not with an immediate effect, if we compare it to the 'new economy' industry. The new trends may be more easily observed at local rather than global level. Meaning that worldwide, employees are starting to ask questions like 'Am I covered when I work from home?', and are more and more motivated by tangible short-term experienced benefits and less by long-term coverages such as pensions."

Centralised programme

With the growing involvement of risk managers in the past decade in employee benefits, there has been an acceleration of the trend to become more centralised, especially in the past two years, according to Gilles Finkestein, global head of customer and distribution management, Zurich Global Employee Benefits Solutions. "Headquarters want to take more control and to understand what they are offering in the various countries and get access to more data, more reporting, more granularity in terms of reporting, and this is where we can see the influence of the risk managers," he says.



Michelle Bishop, European team lead, multinational benefits and human resources consulting, Gallagher, says centralisation is not just about realising the immediate fiscal gains through alternative risk financing options, but also about risk management. "This is realised through real-time access to data, reduced administration, improved audit and control, and a single unified strategy through which HR professionals are able to pivot and align more proactively with the organisations and the needs of its employees," she says.

She adds: "Let's not forget that when we are talking about employer-sponsored benefits for the employees, this is an investment in protection of the most valuable capital, the human capital, of an organisation. Most organisations have already established a solid governance model as part of the increasingly important overall ESG approach, and this centralised benefits decision-making strategy also forms part of the foundation for the 'social' in ESG, encompassing people, purpose and culture."

GEB's Bayard says the ambition is to pursue a more centralised approach, by following a joint collaboration between local and global experts to make use of economies of scale. "This, mindful of the local differentiation and heterogenous markets, is where it is crucial to have a common understanding of the information needed at central level to respond

to local needs and act together, playing as an orchestra," he says.

Ease of integration

But how easy is it to integrate employee benefits across the globe into a global programme? "It's not easy but if it's done in the right way it will be smooth," says Finkestein. "You should start by selecting the right type of global employee benefits solution because today on the market you can find different types of solutions like multinational pooling, global underwriting, employee benefits captive, and it's not one size fits all. It depends on the risk appetite of the multinational company and on the governance."

Bayard says the integration requires companies to have a level of central governance and international employee benefits strategy to be able to implement it. "This is not a question of 'easiness' but more a question of 'how' companies are organised and the central governance they want to apply. Integration is our main objective when we build our operating framework," he says.

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Michelle Bishop, Gallagher



He adds: "A common misunderstanding is that global underwriting solutions bring governance on employee benefits to corporates. In fact it is the other way around – corporates need to have in place already a strong governance to successfully implement a global underwriting solution."

Dieter Gistelink, managing consultant, multinational benefits and human resources consulting, Gallagher, says there are complexities in any global programme, balancing compliance, regulation, market norms and cultural norms. Global programmes should always be designed to reflect and acknowledge the local market but are by no means unachievable.

Selling the programme

One of the big challenges is getting all the different stakeholders onboard, and selling the concept of a centralised employee benefits programme to the board and to subsidiaries. Gallagher's Michelle Bishop explains that having senior buy-in at an early stage helps, as well as a single team guiding the overall process and defined decision-making process. "Key is communication, sharing the business case, ensuring buy-in and input to the process is garnered from an early stage to ensure there are no surprises or blockers when effecting the changes required," she says.

GEB's Bayard says it really depends on the strategy that has been defined. He explains:

"The best way to proceed is via a centralised employee benefits programme in close partnership between local and global decision-makers. Centralisation helps companies to understand if there is an alignment of the benefits requirements with the overall strategy and that these are properly defined and communicated. High level of communication is key and it is easily managed thanks to centralised global programmes. It is not so different from procurement activities, where you need to have a common understanding of your objectives. It is possible to give freedom to a specific country but within a common understanding, leading to collaboration locally and centrally from a risk and financial perspective."

Responsibilities and roles

Another challenge when it comes to employee benefits programmes is the question of responsibility and roles of the risk manager and human resources manager. In the past, this has been a contentious area as risk and insurance managers have become more involved in employee benefits and there can still sometimes be tension over roles and responsibilities.

Bayard says: "This can be considered a common stereotype. Companies are governed to work together and achieve common objectives (such as to provide the best possible benefits at the most reasonable costs), and HR and finance need to work in close partnership to

Selling the concept of a centralised employee benefits programme to the board is a key challenge to overcome

fulfil such goals, in alignment with the strategic plan. If this collaboration does not happen or if there is tension between the departments, this is not related to the design and implementation of employee benefits plans but to internal conflicts.”

MAXIS GBN’s Rouot explains that for captives and other global programmes to be successful, there’s a need for collaboration between HR and risk/insurance managers. “By collaborating and breaking down the silos between these teams, there can be benefits for all. For risk and insurance managers, adding employee benefits to a global programme or captive can be more cost-effective for the business. For HR and compensation and benefits managers, the programmes can help them offer more and better benefits for their people. It requires true collaboration but when it’s working effectively, it can be rewarding for everyone involved.”

Collaboration

There is certainly a greater need for collaboration, according to Gallagher’s Bishop. “Creating a global benefits financing programme has become less about just leveraging scale to obtain immediate cost savings but more about the design and claims utilisation information – and that approach needs a combination of stakeholders, responsible for risk management, human resource and governance strategies, to ensure that the outcome is a superior employee experience.”

Zurich’s Marini says that collaboration between the two roles is the one factor that is critical in either the success or the failure of any consolidated programme. “The companies that do this properly, in a structured organised way, are a handful – really very, very few – and typically these are the larger ones and maybe in some sectors more than others, such as tech companies and professional services firms. However, it is rare and it also boils down often to personality types,” he says.

His colleague Finkestein believes that the centralisation of employee benefits programmes is driven by risk managers. “I think a lot of risk managers when they start getting involved in employee benefits, they are surprised and they don’t understand why there is such a decentralised approach and so much autonomy and that it’s not more centralised,” he says, adding that they are used to a centralised approach on the non-life side.

“It is vital to clearly define the roles and responsibilities of each party,” says Finkestein. “If the rules are stated clearly from the beginning, that should reduce the number of conflicts.” ●

CAPTIVES AND EMPLOYEE BENEFITS: A PERFECT MATCH?

Many observers have long called for a greater involvement of captives in employee benefits, pointing to greater control over rates, terms and conditions, more flexibility of plan design and wording, and diversification benefits for the captive.

But despite the many advantages, the number of employee benefits captives remains relatively small. Mattieu Rouot, chief executive officer, MAXIS GBN, explains that it has seen a 20% increase in captive clients since the end of 2020, but when compared with the number of captives that exist, the proportion using them to write EB risks is still very small, at about 2%.

“At MAXIS, we believe that a captive is the most efficient and effective way to manage and finance employee benefits. Writing employee benefits risks in a captive gives multinationals greater control, the ability to closely manage global programmes, offers benefits that might be unaffordable through local underwriting, retain any underwriting profit and, if there’s already an existing captive in place, diversifying risk. There’s a great opportunity out there for multinationals to use their existing captive to offer more and better benefits for their people.”

Part of the issue might be resistance from the HR side, as Gilles Finkestein, global head of customer and distribution management, Zurich Global Employee Benefits Solutions, points out: “We do see some resistance from the HR side with regards to a captive because it is not a tool they are familiar with, and the advantages that the HR network could get from being part of the captive strategy are very often not known to the HR people.”

Paolo Marini, Zurich



He adds: “They may not know that using the captive could help them implement certain measures, help them to be much more efficient, and even waive some exclusions in policies, especially when it comes to diversity, equity and inclusion, for example with same-sex marriage exclusions in certain countries.”

And his colleague, Paolo Marini, global head – customer and distribution management, Zurich Integrated Benefits at Zurich Insurance Group, says it might also be concern from risk managers about the risks that employee benefits might bring into the captives.

“In my view, this is misplaced in the sense that no matter how well paid people might be in any given country, a death or disability of even the highest ranking individuals in the company will never compare to the burning down of a plant or a flood. So, all of those risks that risk managers are facing on an almost daily basis are huge in comparison to the liabilities coming from employee benefits, which are far more predictable and are composed of many smaller sets of claims.”

He adds: “So in terms of diversification of risk, bringing the two together in a captive actually makes a lot of sense. In my view, it’s hard to understand why there are not more employee benefits captives in place today.”

Finkestein says that ultimately it very much depends on the experience and the risk appetite of the captive. “So what we see, for instance, is that some of our customers start a first phase of an employee benefits captive only with the life and disability and accident covers because they don’t feel at ease immediately with the medical side. And then they will extend to medical with the ultimate objective to involve the full package of benefits.”