

viewpoint

Flexibility and adaptability in the digital era – can the employee benefits industry make it pay?

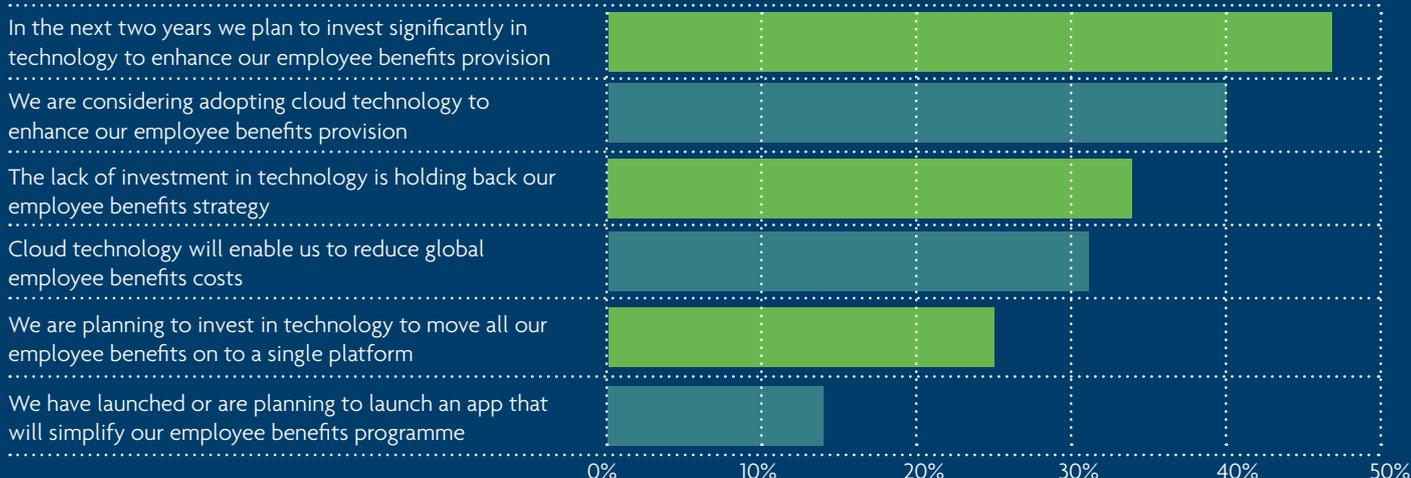
The world of employee benefits is going through some fairly seismic changes – albeit it at the speed of tanker as opposed to racing yacht. But despite the relatively slow pace of change, we all need to be prepared for what’s coming because the need to provide a greater variety of benefits, at lower cost, via a raft of digital channels is inevitable.

In response to this, we decided to do some research and try to discover whether the views of employee benefits (EB) professionals based around the world were similar to those of our clients operating at a global level with whom we talk often.

We commissioned research among over 200 employee benefits professionals across the world (primarily in Europe and the US but also in Asia, Oceania and the Middle East), looking at industry drivers such as cost management, the use of new digital tools, and the flexibility

of schemes. Many of the survey respondents operate for large companies at a local level, giving us a real idea of local views, globally.

Turning to technological innovation relating to your employee benefits programme, which of the following applies to your organisation?*



We found that the results fell into four overarching themes:



1. A growing focus on flexibility

Almost three quarters (72%) of respondents said their current employee benefits arrangements are based around a 'one-size-fits-all' strategy. Yet more than four in 10 (44%) noted that a one-size-fits-all strategy is now inappropriate for the changing needs of their staff.

Respondents highlighted the need for highly flexible schemes designed around individual needs (cited by 46%) and even employee 'build your own' schemes (42%). Tailoring benefits to specific market segments will become more important too: two thirds (65%) said they believe that the so called 'Millennial' generation of employees requires new and more specific employee benefits packages; a similar number (66%) cited social developments such as Lesbian, Gay, Bisexual and Transgender rights as an emerging trend that will shape future product and service offerings.



2. The need for a global perspective but a local approach

Three fifths of our respondents said that employee benefits at their organisation are managed locally or independently in each jurisdiction, but some 38% said that theirs are managed on a global or regional basis. So getting the balance right between global and local requirements will be crucial, especially given that 31% said that, over the next two years, multinationals will increase demand for bespoke programmes that can be tailored to individuals, wherever they are.



3. Managing costs remains fundamental

It will come as little surprise that cost was the biggest concern for respondents (cited by 79%) when discussing the management of employee benefits. Only 2% said costs were of no concern. More than half (54%) said that, looking ahead over the next two years, better cost control and cost modelling should be the number one priority for the global employee benefits industry.



4. Data and digital technologies: underpinning the future of employee benefits

It was very clear from the research that the focus on data excellence is accelerating. This appreciation of the power of technology was stark – and something that MAXIS GBN is acutely aware of from our work with our member insurers and clients. One of the most significant findings of our research was that for three quarters (75%) of respondents the use of data and new technologies to improve the employee experience is **the number one growth opportunity** for the employee benefit sector over the next two years.

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Our Viewpoint of the findings

Our study reinforced many of the views and discussions that we, at MAXIS GBN, our member insurance firms and other stakeholders such as EB consultancies have been having with multinationals recently – and vice versa.

The world of employee benefits has become truly global. It has also become more sophisticated and complex – catalysed by digital technologies, smart processes, a better understanding of the needs of different demographics, and ever deeper levels of data driving our business and social lives. Significant variations between countries and jurisdictions in 'standard' employee benefits provision, as well as widely differing regulatory environments, have added to this complexity. Simplifying this complexity is key.

While it is clear that many multinationals are looking at – and increasingly implementing – global solutions to cut costs and manage risks more effectively, the pull towards more localised, tailored programmes is a significant trend. The challenge and opportunity will be for businesses to build programmes that capitalise on global solutions where applicable but also offer the range of local benefits that employees are looking for and value the most.

The rise of build-it-yourself employee benefits

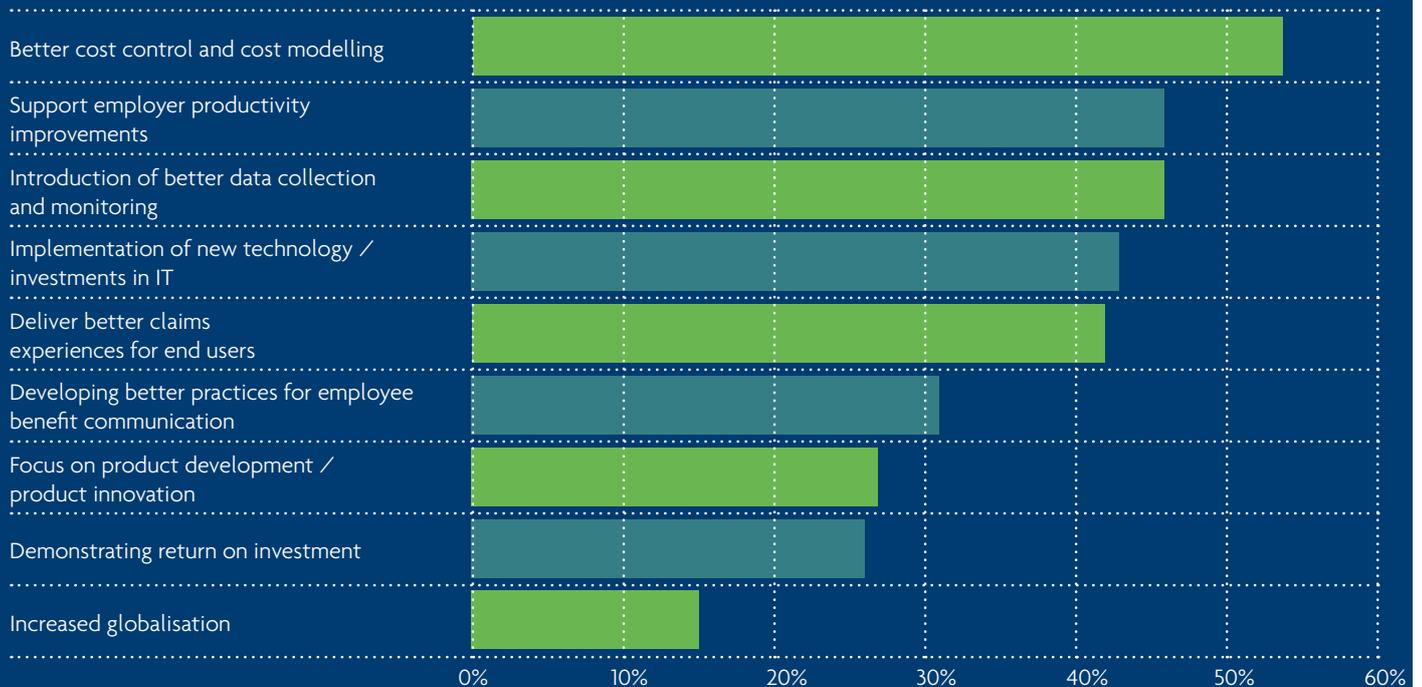
Build-it-yourself schemes complement the need to cater for changing demographics and the inflexibility of a one-size-fits-all approach. Cost considerations are also driving the need for ‘pick n mix’ solutions that offer employers and their employees more tailored, cost-transparent options. These allow staff to choose the benefits they want, in a cost-transparent way.



This trend also encompasses the focus on voluntary benefits and the need to adapt benefits to changing demographics - and its impact can be seen clearly in the results of our survey. When asked what type of benefits high quality recruits want and need, respondents highlighted flexible schemes designed around individual needs (cited by 46%) and employee ‘build your own’ schemes (42%).

Just under half (49%) of respondents said they were planning to introduce such schemes to their workforce over the next two years. A third (35%) of HR professionals added they were planning to introduce benefits designed specifically around health and well-being criteria. In addition, just under two thirds of employee benefits professionals (62%) said they would adapt their benefits strategy to focus on voluntary-based schemes in order to reduce costs.

Focusing on the next two years, what do you believe will be the priorities for the global employee benefits industry?*



Conclusion

We believe that this need for global and local solutions has a common denominator: better management of the underlying data and translating it through powerful digital processes in ways that improve transparency, help deliver tangible cost benefits and allow all stakeholders in the employee benefits chain to manage and price risks much more diligently. One way to manage the demand for personalisation and flexibility, while at the same time addressing insurance premium control, is to understand

exactly what insurance claims are being claimed for and where, when and why. The central role of technology in the development of global employee benefits cannot be overstated – it is one of the core themes running throughout our first MAXIS Global Perspectives study. It is impossible to undertake the analysis required to predict and manage employee benefits risk – on any scale – and also administer programmes and plans without the requisite tools and platforms.

Employers recognise that offering flexible and appropriate benefits will be a key tool in attracting and retaining the best people. Three quarters of respondents to our survey agreed that the use of data and new technologies will improve the employee experience, while the use of data and new technologies is also seen as the trend most likely to shape product and service offerings in the future by more than eight in 10 (81%) of respondents.

“There are two fundamental things that are happening in the market. First, on the financing side we’re seeing the role of deciding how to finance the benefits most effectively is being placed more at the global level. Secondly, we’re still seeing benefits very much locally driven. There are different laws locally, different state systems. The benefits will still be very different in their design from country to country.

“[But] HR is also changing the way in which benefits are structured in many large organisations. How companies are looking to go around actually providing the right benefits to the right people, that’s been managed increasingly in regional or global centres... And in order to actually prioritise actions and look at what you really should be focusing on to make a difference, you need good data.”

Graham Pearce, Global Consulting Group Leader, Mercer

“Given the complexity and diversity of benefits around the world, they have traditionally been considered difficult, if not impossible, to manage globally. As a result, they have been left behind and are now the last wave of the HR digital revolution.

Thomsons Online 2017/2018 Global Employee Benefits Watch Report

To download the full MAXIS Global Perspectives report please visit <https://maxis-gbn.com/knowledge-centre/whitepapers/maxis-global-perspective/>

*Unless otherwise stated all data is taken from MAXIS GBN 2018 Global Employee Benefits Study

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