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viewpoint

Innovation in employee benefits – how COVID-19 has accelerated change

Innovation is vital in the response to any crisis and the COVID-19 pandemic has sparked a massive shift in how businesses operate and how employees work and live.

Technology and digital solutions have been at the heart of this ability to adapt and organisations have rapidly reorganised to enable staff to work remotely while continuing to operate effectively. Similarly, the impact of COVID-19 on healthcare services and patients' access to them has seen a surge in the take up of digital health services – a trend we expect to continue.

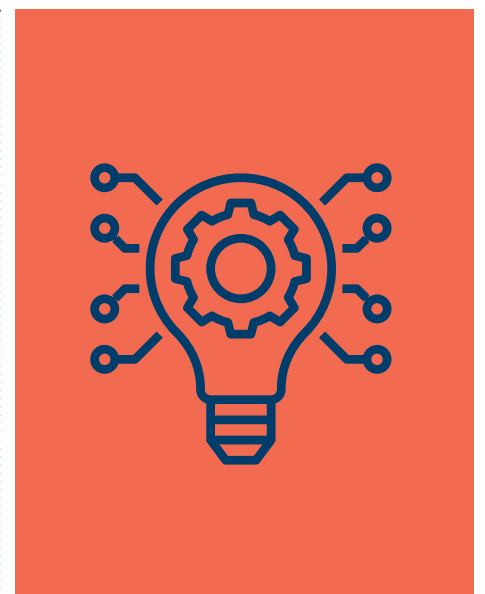
Vague talk in the early days of a short-term 'new normal' now seems to be translating into a long-term new reality. McKinsey research among 200 companies across a range of industries worldwide shows 90% of executives expect fundamental changes in the way they operate over the next five years with almost as many saying they also expect COVID-19 to change their customers' needs.¹

Customers' changing needs is a driver for innovation in any business. And while multinationals look to adapt their everyday product offering to consumers in the face of a global pandemic, they also need to consider the changing needs of the people at the heart of delivering this change. Research we undertook recently suggests COVID-19 has changed

people's perceptions of employee benefits (EB) and employers need to react to that. Of course, new technologies (and even some old, underused technologies) will play a part in that.²

Innovation was a major focus in the global employee benefits industry before we ever heard of COVID-19. The pandemic has simply turbo-charged the pace of innovation and change and has intensified the spotlight on new technology.

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The EB innovation drive before COVID-19

Technology solutions such as the use of distributed ledger technology (DLT) and blockchain to improve data quality and the ability to share it were emerging before the pandemic, but the insurance industry – as with most other areas – was also having to adapt to changes in the ways companies organise their workforces with businesses and workers increasingly looking to contract and freelance.

Whether the impetus for this was coming from companies seeking to reduce the costs of having full-time employees or from workers seeking a better work-life balance is debateable. But there is no doubt that the digital innovation required to meet these changes was a major force in the employee benefits market pre-COVID.

From the use of virtual reality and digital voice assistants to the launch of a benefits television station and text analysis tools underline how new technology and innovation was already transforming the industry by helping employers and employees better engage in healthcare, benefits and the workplace in general.³

New technologies are no longer a nice-to-have, but a must-have. In fact, the vast majority (92%) of C-suite and HR leaders surveyed by global talent acquisition and management firm Randstad say that they believe technology enhances the attraction, engagement, and retention of employees. That's up from 79% who said the same in 2016.³

Of course, the global employee benefits market doesn't operate in a vacuum and technological change in other sectors has an impact in our industry. This particularly applies to innovation in healthcare which is a key part of the benefits multinationals offer their employees.

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The COVID-19 effect on health and wellness services

Telemedicine solutions were available before COVID-19 but were not widely used in many countries – particularly in those where there is a well-developed national health system. US data shows just 11% of patients used telehealth services. This year nearly half (46%) have and while much of this growth is likely to be because face-to-face appointments were cancelled in response to the pandemic, it is a trend that seems to be popular.

The shift may well, therefore, be permanent with providers rapidly expanding their offerings and planning to see 50 to 175 times the number of patients via telehealth services. And the total annual revenues of the sector are expected to grow from US\$3 billion a year to a potential US\$250 billion a year.⁴

But the US isn't necessarily leading the way. Research in Asia-Pacific in 2019 found nearly 50% of patients expected to use digital health tools in the next five years with 91% saying they would if their employer or insurance provider was covering the costs.⁵

Many employers across Asia-Pacific have since added telemedicine services to their wellness

offering in response to COVID-19, having initially been concerned about the potential costs. Many have agreed partnerships with telemedicine platforms to offer free consultations to employees.

According to Dr Leena Johns, Head of Health and Wellness at MAXIS GBN, multinational employers have been turning to telemedicine solutions this year in particular. "With the disruption in healthcare access during the pandemic, patients sacrificed appointments and procedures as healthcare providers followed guidance and either closed or delayed regular medical services. Screening of diseases as well as treatment and management of other conditions besides COVID got disrupted, so it's hardly surprising we've seen an increase in the demand for virtual healthcare delivery.

"We've been working with many of our global clients to implement a telemedicine solution for their population across the world so they have access to healthcare professionals at all times."

Employee assistance programmes (EAPs) were also well-established pre-pandemic but are, necessarily, becoming ever more important and employers have been realising their true value.

EAPs typically offer a range of solutions such as counselling, advice and referral services. Often when employees use EAPs it's at a difficult time in their lives and they often provide vital support. The mental health and financial wellness services offered by EAPs has never been more crucial to employees working remotely in a climate of anxiety so it's not surprising this is also a high growth area since earlier this year.

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The gig economy is a platform for growth

Governments around the world have launched financial support packages to help companies suffering in the COVID-19 economic slowdown and employees unable to work due to lockdowns.

But many self-employed contractors working in the gig economy have slipped through loopholes and found themselves struggling financially. The UK Government estimated around 95%⁶ of the five million⁷ self-employed workers were covered by their aid package but that still left some 250,000 with no financial support. In the US, Pandemic Unemployment Assistance was extended to gig workers – a move lobbied for by Uber, demonstrating their understanding of the responsibility employers have to care for contract and gig workers even though they fall outside ‘traditional’ employee status.⁸

Providing benefits to gig workers is a major challenge but one which has only been made possible by developments in technology. Some major companies, such as Survey Monkey, do provide benefits to contractors which provide medical, dental and vision plans where it covers 85% of the worker’s premium and 50% of their dependents’ premiums.⁹

Again, these innovations were under way pre-COVID – but with many workers now turning to gig worker in the light of global redundancies there is a greater sense of urgency in meeting this challenge – how to fund, provide and deliver benefits to the self-employed.

Two things we do know – technology will play a key role and benefits will have to be portable. Our recent research with workers in key markets worldwide supports this – 51% of respondents would welcome the introduction of portable benefits enabling them to carry their benefits with them when they change employer.²

Platforms to build on

Our research demonstrates that portable benefits are not only a solution for plugging the gig economy benefits gap, they are potentially applicable to full time employees too. Flexible benefits and the platforms where these are managed and delivered are more common these days, but platforms need to expand and adapt to bring all benefits from multiple providers into one place.

72% of employees who access their benefits in one place are satisfied with this approach and are engaged with their benefits and their organisation as a result. When it comes to making your employees feel valued and more productive, the need for great technology is a given.¹⁰

The pandemic is unlikely to affect the development of this technology. Where it may make a difference is in how platforms are used.

For employers there may be a shift to trying to ensure that employees opt for a minimum level of protection benefits such as health insurance, life insurance, accident, disability, and income protection.

Our research suggests that many employees would be happy with this approach as their priorities shift as a result of COVID-19. Around a third (33%) of workers we questioned around the world say they would like to see a focus on health benefits over lifestyle benefits in their employee benefits package.²

Views varied around the world, probably due to the health services provided by the government in the country of the respondent, for example only 16% of French workers and 25% of UK employees want more emphasis on health benefits compared to 38% of South Africans and 36% of Americans.

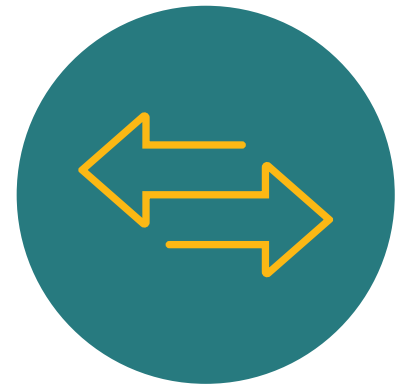
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Change was coming but COVID-19 is accelerating innovation

The global employee benefits industry was being transformed by innovation and technology before the COVID-19 pandemic struck but the pace of change has picked up. Trends such as remote working and the adoption of telemedicine which were gradually being accepted into the mainstream are now standard and likely to remain so.

And, as mentioned, while many employees want increasing personalisation of their benefits, many millions of others have realised just how crucial the more traditional benefits are – income protection, life insurance, medical insurance and disability insurance have proved their worth during the pandemic and will play an important role in recruiting and retaining staff going forward. It's exactly how they're delivered that is still being discovered by many employers.



Flexibility and choice should now be integral to employee benefits offerings as increasingly employees will want personalised benefits solutions including those that provide a safety net. Multinationals and benefits providers have shown they are capable of adapting in the past but will need to speed up their response times and provide this ever-growing range of benefits in one-easy-to-use platform.

Innovation and technological change are still an evolutionary process for the employee benefits market rather than a revolutionary process. But the evolutionary process has definitely accelerated since the start of this strange old year!

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- 2 MAXIS GBN research, conducted by Citigate Dewe Rogerson, July 2020
- 3 Caroline Hroncich May 29, 2019 <https://www.benefitnews.com/list/digital-innovation-transforming-benefits-hr> (sourced October 2020)
- 4 Oleg Bestsenny, Greg Gilbert, Alex Harris, and Jennifer Rost, May 29 2020 <https://www.mckinsey.com/industries/healthcare-systems-and-services/our-insights/telehealth-a-quarter-trillion-dollar-post-covid-19-reality> (sourced October 2020)
- 5 Vikram Kapur and Alex Boulton April 2020 <https://www.bain.com/insights/covid-19-accelerates-the-adoption-of-telemedicine-in-asia-pacific-countries/> (sourced October 2020)
- 6 Anon, UK Government <https://www.gov.uk/government/news/chancellor-gives-support-to-millions-of-self-employed-individuals> (sourced October 2020)
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- 8 Alex Rosenblat, Harvard Business Review <https://hbr.org/2020/07/gig-workers-are-here-to-stay-its-time-to-give-them-benefits> (sourced October 2020)
- 9 Anon, Survey Monkey <https://www.surveymonkey.com/newsroom/surveymonkey-contractor-vendor-benefits/> (sourced October 2020)
- 10 Matthew Jackson Vice President of Proposition and Client Solutions, Thomsons Online Benefits April 2019 <https://www.hrtechnologist.com/articles/digital-transformation/digital-transformation-the-case-for-benefits/> (sourced October 2020)

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