

Lifestyle or protection?

Employee benefits are becoming more lifestyle focused, but is this trend good for employers and employees?

Employee benefits are rapidly evolving as employees crave more flexible lifestyle benefits and employers look to address the ever-rising costs of cover, particularly medical. We are witnessing an evolution from 'one-sized-fits-all' protection-focused standard benefits plans offering private medical insurance (PMI), critical illness and life insurance to more flexible plans where the employee has many options. Employee benefits platforms mean it is now possible for employees to choose the benefits that suit them from a menu that extends beyond the traditional options.

Younger generations, Millennials and Generation Z, are entering the workforce with new expectations about working life, which is forcing employers to change the 'benefits' they offer and the way they offer them to attract and retain talent. And employers are responding by offering more and more options to personalise employee benefits packages with new, lifestyle-based options and even swapping them for the more immediate reward of 'perks' instead if that's what's preferred.

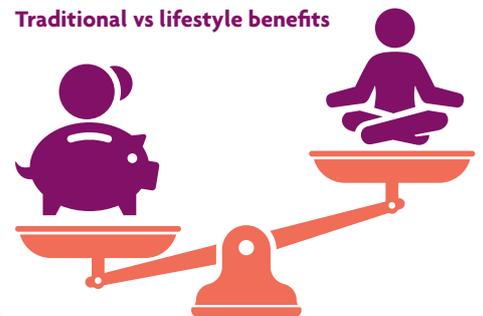
Now, it can be difficult to work out what a lifestyle benefit is and what's traditionally considered a 'perk' – the lines have become very blurred. We have tried to explain our thinking on the next page. The point is that younger generations of employees are tending to prefer services and savings that suit them

now rather than ones that will protect them in the future. Life insurance seems less important to a 25-year old who'd rather have their gym fees covered each month. And paying a little less into a pension right now might seem like a good idea if it means expensive childcare becomes cheaper.

The question is, of course, with employers offering more lifestyle options through benefits and perks, how will this impact traditional protection benefits? Will employers need to scale back their traditional benefits packages in order to fund these new benefits and perks and manage their benefits costs? Are we going to see employees opting to replace their crucial protection benefits with lifestyle benefits that suit them now, or choosing to move to an employer with better perks?

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Traditional vs lifestyle benefits



Employee benefits vs perks – what’s the difference?

While there’s not really a standard definition of the difference between a ‘lifestyle benefit’ and a ‘perk’, it’s an important distinction to make. For the purposes of this article, here’s what we mean when we are talking about benefits and perks.



Traditional employee benefits

tend to be protection products that make up a standard employee benefits package, including insured benefits like life, medical and disability, and long-term savings plans like a company pension.

Traditional benefits

- Life insurance
- Income protection
- Private medical insurance – standard cover
- Pension



Lifestyle benefits

schemes where employees use salary sacrifice or benefits allowances to finance an employee benefit that enhances their own lifestyle or life outside of the workplace. Examples of this might include childcare vouchers, discount gym memberships, student loan repayments or enhanced medical plans that cover things like fertility treatments.¹

More modern ‘lifestyle’ benefits

- Buy and sell holiday
- Cycle to work scheme
- Childcare vouchers
- Discounted gym membership
- Student loan repayment
- Private medical insurance– non-standard cover



Workplace perks

policies or incentives that enhance the workplace or company culture and are available to all employees in an office, such as unlimited holiday, sports and social clubs, family care leave, discounted shopping portals and more.¹

Workplace perks

- Shopping portals
- Sports and social clubs/table tennis/foosball/videogames
- Unlimited vacation, holiday or paid time off
- Bereavement leave
- Wedding contributions/bonus
- A day off on your Birthday

The rise of lifestyle benefits

Research published in the UK highlights the value employees now place on workplace perks like those mentioned above.² The top four perks employees desired were all linked to creating spaces to grow social connections, such as extra-curricular clubs (e.g. arts and crafts, book clubs) followed by access to office pool and table tennis tables and office sports teams. Other perks employees want include a day of holiday on their birthday and even onsite video games.

“... savvy employers are taking advantage of popular trends, bringing ‘cool’ benefits into the office environment to engage employees while also driving increased productivity.”

The most savvy employers are taking advantage of popular lifestyle trends, bringing ‘cool’ benefits and perks into the office environment to engage employees while also driving increased productivity.

While employees may want perks that encourage socialising, many companies are instead offering rewards that could actually tie them to their screens for longer. A daily allowance for direct to office food deliveries, via the likes of Maishoku.com and Uber Eats, could be seen as a perk to incentivise employees working long hours. It has a dual benefit for employers as employees don’t leave their desks to get breakfast, lunch or dinner and they can save money by not needing the space for a traditional staff canteen. And the chances are the employee is delighted to get free meals!

Some of the more unusual perks



“Unlimited” vacation, holiday or paid time off

...whatever you call it – employees can take as much time off as they like, as long as they get the job done and are careful to coordinate with colleagues. As Netflix puts it “we should focus on what people get done, not how many hours or days worked.”³



Chores completed

S.C. Johnson helps employees with their chores by providing access to a concierge service, who will do everything from returning overdue library books to picking up dry cleaning.⁴



Botox

Chesapeake Energy in the USA has an onsite medical centre offering a full range of dermatology services including Botox injections and the company’s fitness centre offers spray tanning.⁵



Tune up

Cisco brings car care services to the office so employees can leave their cars with mechanics for an oil change while they work.⁶

Societal changes are driving new benefits

Benefits are always evolving in response to changes in the way we live and this includes the more traditional ones such as private medical. For example, employers recognise that people are putting off starting a family until later in life and want more benefits that support this decision. In most OECD countries the average age at which women give birth now stands at 30 or above, so employers are looking to support them with fertility benefits such as egg freezing and funding IVF.⁷ Over 400 United States-based companies now offer enhanced private medical benefits for fertility treatments, including the likes of Facebook, Apple and Google.^{8,9}

Some commentators in the LGBT+ community have also argued that fertility benefits are essential to be truly inclusive.¹⁰ So clearly, these benefits may engage employees in their 20s and 30s more than traditional protection benefits such as life insurance and death in service, which for many people only seem relevant after they have a family of their own.

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What new benefits and perks could we see introduced next?

What new employee benefits could we see introduced in reaction to changing lifestyle trends? High house prices have forced many people into expensive rented accommodation across the developed world but many of these renters are left vulnerable because they cannot afford the insurance to cover their possessions. In the UK over seven million renters don’t have contents insurance leaving £50 billion worth of possessions without cover.¹¹ With lots of these people living in shared accommodation and owning expensive technology, could we see employers stepping in to offer insurance cover for workers to protect their possessions?

We also know nearly four in five millennials would rather spend money on enjoyment – an experience, a holiday etc. – now than on long-term security.¹² Could we see employers increasingly enticing staff with benefits and perks like discounted Netflix, Hulu, Disney+ or Spotify subscriptions? Would companies rather spend money sending employees to see concerts and sporting events, which will create ‘Instagram’ moments to boost staff engagement and help build the employer brand through positive social hashtags? The bonus for the employer is these benefits are relatively cheap, non-transferable and can be easily cancelled if an employee leaves a company.

Financial wellness programmes are now commonplace, too. Does this not suggest that employers have a duty of care to ensure an employee does plan for the future?

“With lots of these people living in shared accommodation and owning expensive technology, could we see employers stepping in to offer insurance cover for workers to protect their possessions?”

The value of traditional protection benefits

As we've seen, employers are developing ever more unusual lifestyle benefits and perks, but would these all be as necessary if employees understood the true value of their traditional benefits?

Rather than introducing lots of new options, employers may want to consider launching an awareness and appreciation campaign to educate on the advantages of their existing benefits packages. Research in the United States found that employer-paid benefits improved wages for private industry workers by 46.6% (\$11.50 average benefits costs for average wages/salaries of \$24.72 per hour), with most of these benefits not being classed as taxable for the employee.¹³

“...employer-paid benefits improved wages for private industry workers by 46.6%...”

People often don't appreciate benefits unless they understand the financial value of them. If an employee was self-employed, they would need to earn 50% more to pay their own traditional benefits costs and to cover employer's social security or national insurance contributions. Highlighting this to employees could be an important way to really show the value more traditional benefits provide and encourage them to think long-term and not just about now.

Traditional benefits – less relevant for the younger generations?

It can also be difficult for people to value protection focused benefits when they are young, in good health and don't have dependents. The idea of thinking about a pension for retirement or critical illness cover for a person diagnosed with a disease can seem like an alien concept for someone in Generation Z.

In behavioural economics this is described as an optimism bias, people overestimate the probability of positive events and underestimate the probability of negative events happening to them in the future.¹⁴ Multinational employers need to try and change mindsets so younger staff understand protection benefits, such as life insurance or pension will cost them a lot more later in life as they try to catch up on missed investment.

Life insurance is age-banded, which means that as each year passes the policy becomes more expensive.¹⁵ The longer someone holds off taking out protection products the more expensive their premiums are likely to be.

“Life insurance is age-banded, which means that as each year passes the policy becomes more expensive”



A problem of choice

The move to more flexible benefits plans, where an employee selects their own rewards, although a growing trend, can be problematic if too many of the options are lifestyle focused. For example, investing in private medical cover that includes rehabilitation obviously helps take care of the health and wellness of the employee while having the added benefit of getting an employee back to work quicker and minimising the loss of productivity for the business.

On the other hand, offering discounts on holidays, flights, hotels or restaurants doesn't deliver such obvious operational benefits, but may be an attractive perk for an employee, helping improve engagement, retention and helping attract talent.

There may also be unintended consequences of offering some lifestyle benefits. Retail discount cards, an increasingly popular perk designed to offer savings on purchases, may encourage employee spending on non-essentials. This could lead them into a debt cycle, especially if they are new to the workforce and not used to managing money.

“Research from MetLife found that 36% of employees have been distracted at work by money worries...”

Investing in financial education programmes, now a standard part of most multinationals' wellness offerings, can have a positive benefit on the employee by seeing them improve their money management and for the employer by reducing potential presenteeism – with people worrying about money while at work. Research from MetLife found that 36% of employees have been distracted at work by money worries, so helping staff look after their money more effectively can help improve productivity.¹⁶

Conclusion – balancing lifestyle and protection

Employers are facing a difficult balancing act. They need to offer the benefits and perks that are going to help attract and retain the best talent while still managing their costs. With one-size-fits-all no longer working for everyone, it is important to offer the flexibility and choice so that employees can pick the benefits that are right for them at their particular life stage.



Understandably, younger generations are likely to be more focused on attractive lifestyle benefits they can enjoy now rather than traditional protection schemes, despite the potential financial issues this could cause in the long term.

Given the investment that multinationals are making in life, medical, critical illness and disability it is important that employers help communicate the value of traditional benefits to their staff. With employee benefits platforms giving lots more choice to employees when selecting their benefits packages, getting these educational programmes in place to help employees make informed, balanced choices between lifestyle and protection is extremely important.

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