UK Employee Benefits Watch 2016/17
Transformation to wellness
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Foreword

Welcome to this year’s Employee Benefit Watch!

When Chris Bruce and I founded Thomsons in 2000, many people did not believe that any organisation would consider managing their benefits online. Fast forward seventeen years, and the landscape today could not be more different, with the UK at the forefront of much of that innovation, driving flexible benefits, total reward and online enrolment widely across the employer spectrum.

The demands on businesses to perform well have long been high. With the decision to leave the European Union, the increase in pressure on all our business is palpable. There is more demand from business leaders to increase growth and profit year-on-year, whilst at the same time keeping costs flat. Does that sound familiar to you?

What worries me most about today’s business climate is that often employers are too singularly focused on hitting business results, and are simply not doing enough in the workplace to really help their employees, particularly in the area of mental and physical wellness and financial education.

46% of our respondents want to improve their employees’ health and wellbeing. With 10 million working days lost each year through stress, and MIND stating that 1 in 6 employees experience mental health symptoms in the workplace, it is not surprising that action is being sought. With my experience over 36 years of working, I actually think the problem is far worse than MIND estimate. It is very real, highly prevalent and requires urgent attention from us all as employers.

Over the last 17 years Michael has led talented Thomsons people across three continents to create and continuously develop the best employee benefits software in the world. Michael has more than 35 years’ benefit consulting experience, particularly in the area of UK pensions and employee benefit consultancy. With a career that has encompassed all UK regulators, he has an encyclopaedic knowledge of the evolution of the benefits market.
What also struck me is whilst 47% of employers said they were considering introducing financial education programmes, the reality is that only 7% of employers actually do provide support in this area today, despite the fact that 65% of employees say it is important to them. So why is it important?

In debt alone we are storing up a time bomb, owing £1.65 trillion as a nation - that’s more than £52,373 for every person in employment. It is the younger generations that worry me most though. I saw a piece in the FT last year that compared the debt of students graduating for the first time after fees went up to £9,000 per annum. Their debt on leaving university totalled £44,000 on average, a staggering increase over those students graduating five years earlier with an average debt of £16,200. The same article suggested that 2/3rds of graduates will never pay off their debts.

I hope this is food for thought. I have only just scratched the surface of these meaty topics. You have so much to do today as HR professionals and I do hope this publication gives you some useful nuggets to help you as you make your own plans in your business and, please remember, Thomsons is here to help you when you need it!

Enjoy the read!
Executive summary

Employee Benefits Watch 2016/17 is our annual look into the latest themes and trends within the reward and benefits market in the UK. With it we hope to provide some inspiration, tales of caution and direction for HR and reward professionals to benchmark their current approach and ultimately, maximise the performance of their own programmes.

To compile this year’s report, we surveyed over 200 HR and reward professionals and 500 UK employees, who together cover a population of nearly two million UK employees, to compare their respective views and assess whether they agree on what good looks like for benefits.

The theme of this report is one of transformation. With significant challenges for reward around engagement and cost control, the report offers compelling evidence of our need to be quite radical with our approach to benefits. We need to change our thinking, to offer benefits in a much more consumer-lead, with wellness, digitisation and personalisation at the heart of the new approach to benefits.

This report is presented in three main sections, which together demonstrate the changing approach to benefits and shift in focus towards supporting employee wellness:

• Rethinking to mental and physical wellness – looking at how organisations are moving beyond traditional benefits that focus on curing ill health, to promoting a culture and environment of prevention, which actually contributes to the wellness of employees.
• The future of financial wellness – with pressure on organisational budgets, limiting pay rises for most and the knock-on impact on personal budgets, we explore the continued trend in supporting employees with all aspects of their finances, not just retirement.

• Communicating benefits to drive value – changing thinking amongst HR and reward professionals and introducing marketing skills that help develop a dialogue with their audience that drives action and value.

Rethinking mental and physical wellness

The desire to improve wellness is rising rapidly up the HR and reward agenda, ranking third on this year’s list of top objectives. And it is easy to see why. Trends in employee health are heading in the wrong direction, caused by changing work pressures and lifestyle choices, many of which are also influenced by the workplace ‘always on’ culture.

That said, it is clear that this new focus is in its early stages, with only 16% of employers aligning their approach to wellness to their wider business and people strategies and only 19% of respondents saying that they are measuring the impact of their strategy. As with many other initiatives, the biggest barrier is getting initial buy-in to start the journey. Without a defined strategy and measurement this becomes a challenge.
Many employers need to re-focus their approach. This is demonstrated by over 90% of companies funding life cover, but only 5% of employers currently providing a wellbeing allowance to prevent ill health and improve employees’ mental wellbeing. Those companies that have implemented a preventative approach are reporting significantly higher employee engagement and satisfaction.

A change in approach is needed and is delivering real results for employers who are already making this change.

The future of financial wellness

There is building recognition amongst employers that their role in providing financial support to their employees must change. Acknowledgement of the impact of money worries on workplace stress, absenteeism and productivity is growing, which is a great catalyst for effecting change.

But the change is slow in coming; although 65% of employees want more financial support in the workplace, only 7% of employers currently offer it. There has been some movement in giving employees more retirement support, but this doesn’t reflect the financial worries and needs of many of the population, for whom managing personal finances and debt are far more pressing issues.

Once again, some UK employers are proving that changing their approach is having a positive impact. Those offering education and a broader range of financial products have seen a 22% increase in employee engagement and over twice the effectiveness of their programme than those that don’t.

The message is clear. Although still important, employers must now look beyond pensions, addressing a wider range of needs to make a real difference to their people’s financial wellness.
Communicating benefits to drive value

A benefits programme is only worth the quality of how its communicated. It is clear from this year’s report that communications can have the biggest impact on employees’ perception of benefits, but 40% of employers still have real problems with engagement.

One of the key factors preventing success is the fact that, the longer the employee is with an employer, the less likely they are to receive information about their benefits - a trend that needs to be reversed. And according to the responses, it should start with better messaging around work and life events, to help people understand the impact on their benefits.

Interestingly, it is not all about digital either, with our employee respondents telling us that face-to-face communications remains one of their preferred channels, no doubt because the subject matter can often be complex and overwhelming to most. Diversity of media is key to success.

Finally, segmentation is still only being used by a minority of companies, even though the evidence is that it drives greater engagement. Our view of this is that, since most companies still have a traditional approach to benefits, it isn’t surprising that their approach to communications is dated too. But, as with everything else we’ve identified in this year’s report, modernising the approach to communications has a real positive business impact.

To reiterate, the overriding theme of this year’s report is transformation. Change, not for change’s sake, but for the sake of improved organisational engagement and performance – using reward and benefits to provide true competitive advantage.
Introduction

Benefits are at a crossroads.

As with so many sectors, from banking to publishing, transportation to hospitality, disruption and change are coming in the form of new ideas, technologies and providers.

Most employers are or will soon be standing at a crossroads. Deciding when they are ready, through insight, to pick the right path to survive in an ever-changing world.

There are many who will continue with a traditional approach to retirement and health as their focus, believing that these fundamentals are sacrosanct. Whereas we believe there will be a majority who will have recognised that they need to change their approach to meet the demands of the modern workforce.

The majority recognise that disruption and change come for a reason - to achieve a better, more compelling and efficient way to engage their employees and help improve their experience whilst they work with and for them. In doing so, their organisations will drive better engagement and performance.

This report looks in detail at the latest trends in the benefits marketplace, and reviews what UK employers are currently doing to support their employees’ physical, mental and financial wellness. We demonstrate the change in thinking that is required and the reasons behind the disruption.

As you would expect, there is a clear focus on digital, and with it, concepts such as personalisation and analytics, to manage, engage and provide insight into benefits. As you may also expect, there is an emphasis on the importance of an effective communications strategy and how that is evolving too – using tools used for some time by marketing to drive greater adoption in this space.

And what is clear from this year’s report is benefits are in need of disruption, or, to put it in a more palatable way, transformation. Transformation in thinking and transformation in execution.
Rethinking mental and physical wellness

The way we work and the roles we perform have dramatically changed over the last 30 years. Long distance commuting, the fall of the manufacturing sectors and rise of the service industry, poor diet choices and changes in family make up and demographics - all have a combined impact that means longer working hours and an increase in stress.

The rise of a 'sandwich generation' is also exacerbating illness associated with ageing and stress. In looking after both children and ageing parents, this generation often does not have enough time to look after themselves.

As a result, the mental and physical wellness of employees has become cause for concern for employers, as wellbeing can have a noticeable impact on a businesses productivity. Equally, employers are struggling to create an environment for employees to perform at their best due to budget constraints, lack of innovation and other business pressures – meaning employers are inadvertently adding to the strain on employees. This also impacts employees’ lifestyles, reducing the quality of sleep, diet and nutrition.

With the pressure on employees to achieve peak performance and the need for businesses to increase margins, the biggest gain for employers in terms of productivity is now to be found in ensuring their greatest assets, their people, are able to not only perform consistently, but to flourish in this new environment.
Although employers have traditionally offered physical wellness support through a benefits programme, these are often taken up by the minority who are already active, rather than the majority of employees who would benefit from improving their fitness. What’s more, many benefits concentrate on treating the symptoms of ill health, such as medical insurance, rather than focusing on prevention. Employers have a duty to focus on providing the best possible environment for all employees to flourish, given the impact the work environment has on an employee’s mental and physical health.

In this chapter, we look at the current market trends in mental and physical wellness and how employers are currently supporting their people. We assess whether they are meeting their expectations or if they need to change their approach.

**Mental and physical wellness is high on the UK HR agenda**

Although the majority of employers have always shown a duty of care to employees, for the first time, improving employee health and wellness has moved up the people agenda and is now in the top 3 positive impacts employers want their benefits programme to have.

**Figure 1.** The top three positive impacts employers want their benefits programme to have

- Improve employee engagement: 81%
- Improve talent retention: 54%
- Improve employee health & wellbeing: 46%
So why the change in focus? There are a number of factors contributing to the rise of mental and physical wellness on the UK corporate agenda:

1. Work-related stress, anxiety and depression now account for over 10 million working days lost each year and 1 in 6 employees deal with a mental health problem.

2. More people than ever are overweight or obese. Public Health England has shown that 62% of adults are either overweight or obese (36% overweight and 26% obese - 2014) - with the number of those obese increasing by over 60% in the last 20 years. The department of health has called the lack of physical activity a ‘silent killer’, with poor diet and obesity leading to 1 in 10 cancer cases, increased risk of coronary heart disease and type 2 diabetes.

3. Critical illnesses and mental health conditions are leading to longer term absences. According to the leading Group Income Protection Insurer in the UK, 50% of long term absence claims were for Cancer (31%) and mental health (19%) conditions.

With all these factors to consider, the question HR and reward professionals must ask themselves is whether they have a benefits programme in place that can truly support their employees’ mental and physical wellbeing. Employers must also recognise that by investing in education and prevention they can make a positive change to these worrying statistics.

Providing employees with access to the right support at the right time is also a crucial factor to keep employees mentally and physically well. So how do UK employers change their approach? We can help answer this by exploring the current trends, starting with an informed health and wellbeing strategy.

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Creating an informed strategy fit for employees and the business

The starting point for employers to address these challenges and change their approach to employee health and wellbeing is overall people strategy. To ensure alignment with the benefits strategy, employee wellbeing needs to be firmly established as a core goal in the people strategy to ensure alignment with the benefits strategy. Worryingly, nearly 85% of employers do not have their benefits strategy closely aligned with their people strategy.

Figure 2. Alignment of benefits strategy to people strategy

- Very closely aligned: 15%
- Somewhat aligned: 59%
- Not at all aligned: 15%
- Don't know: 11%
If employers support their employees’ health and wellbeing through a robust people strategy they can positively impact their engagement with their benefits. In fact, our research showed that employers are almost 30% more likely to be meeting their benefits engagement objectives if they have a benefits strategy that is aligned to their people strategy.

In order to address the need to align the people and benefits strategy HR and reward professionals need to have an accurate picture of what health and wellness benefits are being used, as well as their impact on the business and employee health. But how do we know if employers are currently measuring this and how are they doing so?

The three biggest causes of presenteeism (employees at work, but not able to perform their role fully) and absences are: mental health, cancer and musculoskeletal conditions. All three of these areas can be measured in terms of incidence, duration and impact to the business. However, as shown in figure 3, less than 20% of employers are actually measuring the impact of their employee wellness programme. This is surprising given the significant investment employers put into these benefits. The lack of data and analysis on the value these benefits are bringing to the business, can raise the question of how informed business’s strategies really are.

Figure 3. How employers measure the impact of benefits on employee wellness

- Don't know: 10%
- Don't measure: 45%
- Anecdotally (verbal feedback): 27%
- Hard copy analysis (spreadsheets): 10%
- Digital quantitative analysis: 8%
Those that are digitally measuring the impact of benefits on employee wellbeing are almost twice as likely to be very effective in meeting their benefits engagement objectives (22% very effective, compared to 12%)\(^6\). The impact of technology on HR processes has been picked up by many industry analysts and experts. Bersin’s recent report, for example, highlights how HR teams can no longer afford not to go digital and maximise the use of data. A point clearly reinforced in our research on the impact of data and measurement on employee engagement.

One of the simplest ways to measure the impact of benefits on workplace wellness is by utilising technology to allow employees to engage with their related benefits, enabling real time data capture. However, our research shows that less than half of employers use technology for benefits delivery.

Without using technology to deliver benefits it is difficult for HR and reward professionals to accurately and efficiently measure engagement with the benefit programme or employee wellness. This is due to information not being instantly available and manual, disconnected processes leaving room for error.

In fact, our research showed that those not using technology to deliver benefits are five times more likely to report administration errors and inefficiency (10%) as top challenges than those that do (2%).

Healthcare and group risk providers have been investing heavily in digital solutions and tools to support employees whilst well and at work, whilst at work but struggling (presenteeism) and during the early to long term stages of absence. By accessing these additional tools through their benefits programme, employees can see the link with the service from providers and the benefits their employer provides, increasing the perceived value and sequentially improving employee engagement. Not only this, but HR and reward professionals can use this data to assess how well they are supporting their employees and the impact this has on the business.

\(^6\) Bersin by Deloitte - Predictions for 2017: Everything is becoming digital
Figure 4. How employers administer their benefits programme

- Not applicable: 30%
- Integrated third party platform: 11%
- Outsourced third party admin: 9%
- Standalone third party admin: 6%
- In-house using technology: 17%
- In-house using manual processes: 27%
By aligning business, people and benefits strategies and utilising technology to measure the effectiveness of mental and physical wellness programmes, HR and reward professionals are empowered to review and adjust their strategy, ensuring it is fit for purpose.

Within this strategic framework comes the benefits programme itself. It is worth at this point taking a look at how UK employers are ensuring their benefits are relevant for their employees and conveniently easily accessible.

**How do employers provide benefits that prevent ill-health and are relevant for employees?**

The typical UK employee benefits spend is weighted towards programmes that focus on cure rather than prevention. Contrary to conventional wisdom, this may not be the best use of benefits spend, putting organisations in a position of throwing good after bad. For example, private medical insurance is an efficient means of providing access to fast diagnosis, and it can be argued, also provides access to treatment quicker than through the NHS. However it typically doesn’t provide any support to employees to encourage a healthier lifestyle to prevent the conditions upon which their claims are paid.

Figure 5 shows that life assurance is one of most common benefits provided to employees in the UK (over 70% of employers fund for all employees in the business and over 70% of employees say this benefit is important) but other than at claim, this benefit provides no additional support to either the employee or the employer.
Figure 5. Financial benefits that employers are providing vs what financial benefits employees would like

- Life assurance
- Income protection

Percentage of employers vs. employees

- Not offered
- Available to flex (no funding)
- Funded for some
- Funded for all

How important these benefits are to employees
Conversely, income protection schemes, although providing a ‘cure’ benefit in the form of a salary replacement when an employee is unable to work, have changed significantly in the last ten years. These schemes can now provide a number of preventative and support measures for employees (and employers) whilst an employee is well and at work, during presenteeism as well as during the early to long term stages of an absence. Such as when employees are engaged with these schemes, employers see a reduction in the duration of long term absences and an improvement in productivity.

Interestingly is that whilst 70% of employees view income protection as important to them, less than 35% of employers offer such schemes for all their employees. It is likely that, as the positive results of income protection schemes are measured and the investment is realised in organisations, the number of employers offering this support across all employee groups will rise. This change will mark a much needed switch in approach from funding the cure to supporting employees through more preventative benefits, ensuring value is maintained for the benefit of the business and employee.

This leads us to challenge whether there is another way for employers to provide more preventative benefits that will enhance their value to the business over the longer term?

One trend that is clear from our survey is the growing demand from employees to be allowed freedom to choose the benefits that are relevant for them and their life stage. Figure 6 shows over half of employees (51%) would like a wellness pot or allowance to enable them to support their personal approach to staying mentally and physically well.
This is not surprising as peoples’ approaches to maintaining their wellbeing changes; the traditional gym subsidy model is becoming outdated as employees become more engaged with running clubs and exercise classes, interested in their nutrition education, and more broadly in music lessons and resilience programmes that can help reduce stress. However, as chart 6 also shows, only 4% of employers have a reimbursement strategy for their wellbeing programme and 76% are not considering this approach at all. If these employers continue to lag behind the rapidly developing benefits landscape they will experience a growing inability to meet the demands of their employees.

**Figure 6.** Wellness pot/allowance employers are offering (outside flex) vs. what wellness options employees would like

![Chart showing comparison of employers' offered wellness pot/allowance vs. employees' preferences.](chart.png)
By adopting a reimbursement strategy, employers are empowering employees to choose options they feel are most beneficial to them as individuals. For example, drum lessons would mean great improvement to fitness and mental health for one individual, whereas for another yoga would have the same effect. As an employer, offering and managing such a broad range of benefits simply isn’t cost effective. However, facilitated through a wellness pot mechanism, it creates autonomy for employers to support employees’ mental and physical wellness goals. The end result is employees feel valued by their organisation and more empowered to make their own choices.

This is clearly supported in our survey results displayed in figure 7. Employers that are providing their employees with a wellness pot have significantly more engaged employees than those that don’t.

What is promising to see is that 20% are planning to change their approach. We expect this number to rise as the successes of the market-leading employers who are providing a framework where benefits that prevent ill health are made relevant to individuals are realised.

**Figure 7.** How employers fund their wellness programme vs. how engaged their employees are

<table>
<thead>
<tr>
<th></th>
<th>Employers offering wellness pot</th>
<th>Employers not offering wellness pot</th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees extremely engaged with benefits programme</td>
<td>33%</td>
<td>8%</td>
</tr>
<tr>
<td>Employees extremely engaged with company culture</td>
<td>36%</td>
<td>10%</td>
</tr>
<tr>
<td>Employees extremely engaged with company as a whole</td>
<td>30%</td>
<td>11%</td>
</tr>
</tbody>
</table>
With half our workforce in call centres, we were challenged with engaging a young workforce and high turnover rates. We wanted to increase the perceived value of, and engagement with, benefits to increase employee loyalty and retention. After consulting with employees, we launched our new benefits management platform with a focus on wellbeing to address their needs. We introduced an innovative ‘virtual GP’ service, Babylon, allowing employees to access a GP seven days a week from any device. We also developed an online ‘pensions village’, giving employees access to a personalised pension calculator. We were really pleased with the results that show 86% of the workforce logged into the benefits platform, up from 74% previously.

Clive Cripps
Benefits Manager, LV
Are employers missing a trick?

Increased financial and social pressures mean employees may also benefit from additional workplace support. Although these needs may not be a direct result of the working environment, they risk impacting an employee’s ability to maintain focus and productivity in the workplace. Our research has shown that as well as the need for employers to change their approach to how benefits are provided to employees, some are missing a trick when it comes to the actual benefits on offer and need to break away from dated ‘out of the box’ offerings.

There are two key areas where we believe employers should modernise their approach, however also included are figures 8 to 9 that explore all our findings on the benefits that employers offer and employees want.

Private / Virtual GP Service

The increased demand on NHS GP services and waits of up to three weeks for an appointment is impacting employers in a number of ways. Inconvenient appointment slots and long waiting times are leading to minor ailments being left or untreated until they become serious. This is resulting in employees being absent from the business for extended periods of time.

Figure 8 shows that over 40% of employees would like access to a virtual GP yet less than 30% of employers currently offer this through their benefits package.

Enabling employees and their families to access a GP at a time convenient to them (via a video call for 20 minutes and with medication delivered within hours for example) can provide a significant saving to employers in lost productivity.

Employers may question the cost of this service, but there are a range of funding options available from fully employee funded through to fully employer funded or in between. This makes it more achievable for HR and reward professionals to provide a benefit that is both wanted by employees, and helps them keep up with the changing medical landscape in the UK.
Figure 8. Health and protection benefits employers offer vs. how important they are to employees.
Personalised benefits to keep workforces healthy

As part of a healthy lifestyle, eating the recommended daily intake of fruit and vegetables is important. However, for those with little time on their hands, lunch is normally an afterthought and can result in poor food choices, or being eaten on the hop whilst working or in between meetings. Employers can encourage healthy eating very simply by taking advantage of services such as 'fruit delivery' to order fresh food. Figure 9 shows nearly 50% of employees want access to free fruit, but less than 30% of employers offer this benefit to employees.

Although these statistics are not too dissimilar, there is a big difference in terms of supply and demand when you compare this to other traditional benefits most employers offer. For example, employees value cycle to work vouchers (39%), gym memberships (44%) and childcare vouchers (44%) just as much as private / virtual GP Services and free fruit. However, the number of employers offering cycle to work vouchers (84%), gym memberships (61%) and childcare vouchers (99%) are significantly higher.

What is clear is employers tend to provide the more traditional benefits that have been around for a long time, instead of looking at more innovative ‘tried and tested’ options that could potentially have a greater impact on employees’ mental and physical wellness.

It is now time for employers to rethink their approach to health and wellbeing benefits and move away from a framework of traditional offerings that no longer resonate with the majority of their workforce. Instead, organisations need to engage their people with more flexible, relevant and personalised options to enable employees to make the choices that are right for them. To fully understand what employees really value and what will have the biggest positive impact on the individual as well as the business, employers should begin by reviewing their approach using the data from their existing benefits programme. These insights provide the information needed to transform their approach to truly meet employee needs.
Figure 9. Lifestyle benefits employers offer vs. how important they are to employees

- Holiday / annual leave
- Childcare vouchers
- Cycle-to-work schemes
- Company cars
- Car parking
- Gym memberships / on-site-gym
- Free fruit
- Free refreshments
- On-site catering

Percentage of employers vs. employees:
- Not offered
- Available to flex (no funding)
- Funded for some
- Funded for all

How important these benefits are to employees
Summary

What stands out from our research is the need for employers to transform their approach to mental and physical wellness benefits to ensure positive outcomes for both employees and the business. It is clear we will reach a tipping point, compounded by the increasing cost of insurances, further legislative change, and the growing strain on the NHS. It is likely the burden of health and wellness will shift to employers, as with automatic enrolment for pensions, and organisations will be left to solve the problem.

So, whilst employers cannot be wholly responsible for their employees’ mental and physical wellness, they cannot ignore the direct link to productivity; having both a duty of care and a vested interest in actively supporting their people. And organisations need to address this issue sooner rather later; there is a very real imperative for employers to ensure they provide a work environment conducive to a healthy workforce.

HR and reward professionals must start by outlining the business needs and assessing whether their current strategy supports their people to ensure they remain engaged with the business and are able to work productively. Once the current mental and physical wellness risks to the business are understood there will be a growing imperative to define a clear strategy to improve wellbeing and productivity.
There also needs to be a clear framework of education and awareness, support and facilitation. Technology must be fully utilised to not only to make it convenient to manage benefits, but also to access providers’ additional digital support services and communicate effectively with employees - to inspire and enable them to take action. Just as crucially, utilising the data from these platforms also enables employers to monitor and evaluate the effectiveness of their mental and physical wellness approach, helping them demonstrate the positive impact they are having and gain additional business buy-in.

Using this data, employers will be able to break away from a one size fits all approach. They can look at providing benefits that bring value to the business, whilst also engaging employees and ensuring the benefits on offer are relevant to personally address their needs – the point being that these are more diverse than ever, due to the changing shape and nature of the workforce.

The ultimate conclusion we draw from our research is that to improve employee mental and physical wellness, employers must transform their approach. Looking beyond the traditional ‘cure’ benefits. Moving to a broader mental and physical wellness programme, within the context of business needs, to ensure they engage all employees, not just the minority in a preventative approach. We hope that others will be encouraged and inspired by those that are already embracing this approach and are having real success in creating a happier and healthier workforce.
The future of financial wellness

The UK labour market has gone through a wholesale transformation over the past 20 years driven by a combination of financial, business and social change. This transformation has seen the emergence of a transient, multigenerational workforce with more diverse needs than ever.

This is all made more complicated by the fact that these newer generations have less money in real terms than almost any time post-war. Generation X is going to struggle to retire, whilst Generation Y can barely buy a house.

With all of this financial pressure comes stress and, as a result, eyes are turning to employers to reduce this impact by improving the financial wellness of their people, both as a duty of care and to optimise employee engagement and business productivity. Whilst this isn’t a recent trend, the majority of employers are still not doing enough to support their employees’ mental and financial wellness, certainly compared to the investment made towards physical health.

In this chapter we take a deep-dive into market trends around financial wellness, analysing what support employers are currently providing to employees, how effectively they are communicating their offerings and whether they are meeting their employees’ expectations.
The imperative to support employee financial wellness

A recent study by the CIPD shows the number one cause of stress in the UK is money worries (22%). Considering 10 million working days are lost each year due to stress7, it emphasises the urgent need for employers to support employees and reduce this trend. Even if employers aren’t looking at financial wellness through the eyes of their employees, they must recognise the impact of reducing absence.

The good news is that, albeit slowly, the market is responding to this trend. We are seeing more providers come to market with new offerings and traditional benefit providers developing their propositions to meet demand.

But our research has shown that although 65% of employees cite financial wellness in the workplace as being important to them, a worryingly low 7% of employers actually provide any sort of support. The solution is there, but is it being adopted? For HR and reward professionals the main challenge is understanding where financial wellness fits into their wider benefits strategy and deciding on how to develop a fit-for-purpose offering for employees. There are genuine concerns amongst HR and reward professionals too, raising questions such as: “Are we giving advice?” “Are we not just going to detract from our hard work getting people bought into pensions?”

In addressing these concerns, those that are ahead in their approach have taken the time to understand the needs of their employees and have looked to solve a targeted set of problems, rather than implementing a one size fits all approach.

Our research backs this up, showing that relevance and convenience are the key factors in determining whether employees will engage with a financial wellness programme. Providing employees with access to the right solution at the right time is a critical factor for success, and underpinning all of this is technology.

So just how important is financial wellness to employees and how do HR and reward professionals set about creating and implementing a financial wellness plan?

More than just a secure retirement

One of the biggest challenges employers say they are facing in the UK is making benefits relevant to all employees. Over 55% of employers testified to this in our latest research.

But what is clear is employers are continuing to get it wrong when it comes to financial benefits for their employees, with many equating financial wellness with the provision of a pension plan and life assurance.

Whilst 97% of employers are funding a pension scheme for their employees (unsurprising in an auto-enrolment world) less than 7% actually provide any sort of retirement planning support for their employees. This does not make sense given the incessant legislative reform that has driven greater complexity than ever before. Especially when you compare the 65% of employees that would like this kind of financial support to the 7% of employers offering it.

Although the above issues and retirement itself remain important, we believe retirement as we know it is obsolete for large swathes of employees, who simply can’t afford to stop work one day and draw a pension the next.

With so much regulatory change, how can a 25 year old who may not retire for another 40 years be expected to buy into a retirement model that is quite simply not going to exist when they can finally give up work? At the same time, our 25 year old (if we assume the national average) is more than likely to be saddled with student debt (currently averaging just shy of £25,000\(^8\) for the 2016 student cohort but expected to rise to over £40,000 when tuition fees rise). They are also likely to be looking to get on to the housing ladder at a time when average deposits for first time buyers have doubled since 2007 — now close to £33,000\(^9\). With average debt per adult in the UK standing at £29,675 (or 113.4% of average earnings) we can see there needs to be at least equal emphasis on providing relevant solutions to financial problems in the here and now rather than for a moving target in the future.

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8. The Money Charity - http://themoneycharity.org.uk/
This demonstrates how employers need to wake up to the fact that whilst the baby boomers are well placed for a financially secure future, it is the generations behind them who are facing the greatest pressure and who need that wider financial support now.

Our view is that this problem can and should be solved in the workplace and employers who are really concerned about their employees’ wellness now have the tools available to them to meet these complex needs.

Understanding what different employee groups need and tailoring a financial wellness programme with relevant solutions for each group is crucial. For example, those employers who are segmenting their workforce, providing appropriate benefits for each group, are twice as likely to be very effective in meeting their benefits programme objectives (21% compared to 10%). They are also showing that their employees are more engaged with their benefits package and with their organisation as a whole.

Whether employers supplement workplace pensions with ISAs (lifetime, corporate or maybe both), debt consolidation products, budgeting tools, financial and mortgage advice, or just simple online financial education, the solutions are ready and available. Those employers offering financial solutions to their employees in the workplace are already reaping the rewards with their benefits programme being over twice as likely to be very effective (33% compared to 13%). Together with a 22% increase in those employees who are extremely or very engaged in the workplace against those employers who are not currently providing wider financial solutions.

Looking at those organisations who are not keeping up with the need for financial wellness, for us, paralysis is the big concern; without choice and the ability to empower themselves to make the right financial decisions, employees are being failed by employers.

So these financial products are available, but how can employers embed these into a rounded financial wellness strategy?
To fix the problem you must break the barriers

As we continue the journey into the digital world there is a rapid move away from defined benefits towards those that can be instantly accessed when employees need them. We call these ‘on-demand’ benefits.

Our research shows that the largest single factor influencing employees’ perception of benefits (ranked 8 out of 10) is convenience – quite simply employees expect the same consumer grade ‘Amazon or Uber experience’ when selecting and using their benefits. Supporting this, those employees that have access to their benefits via a mobile app are six times as likely to be very engaged with their organisation and much more engaged with their benefits (34% compared to 21%).

When delivering an effective financial wellness strategy, it is vitally important that employers abandon the mentality that a standard pension meets the financial needs of all their employees. Instead, giving employees a wider range of options, accessible on mobile devices.

Our research shows that 68% of employees want to access all of their benefits from one single place, yet only 16% of employers actually offer this. Similarly, 54% of employees want to access their benefits from a mobile device when only 28% of employers are offering this, and 54% of employees want year round benefit selection but only 38% of employers provide it today. Finally, 52% of employees want single sign on access to their benefits but there are just 27% of employers offering this facility.

So what does this mean? It is clear that the market is moving fast and employers are not keeping pace. The provision of financial wellness services and education need to be delivered to a mantra of making every aspect convenient and accessible for employees.
Our research evidences that employees are far more likely to feel empowered and take control if they have a choice of benefits and they can easily review, select and manage them. This is mirrored by the survey feedback from employers; 91% of whom believe ease of access has a high impact on benefits engagement and 85% believe that the range of benefits they offer further drives increased engagement. Nevertheless, looking at this through the eyes of the employee, only 20% of employees are currently very satisfied with the range of benefits on offer, and only 19% are happy with the communication of benefits. There appears to be a clear disconnect between what employers believe drives engagement and how benefits are perceived by employees. The common denominator is access and choice.

We will explore benefits communications in more detail in the next chapter, but it is important to note here that people are far more likely to engage with their finances if they can review their pension, make changes to their ISA and book a mortgage appointment at a time and in a way that suits them.

The ability to manage financial benefits in one place breaks many of the barriers to having a successful financial wellness strategy, but how can HR and reward professionals create a culture of financial wellness in the workplace?
The simple steps to delivering financial wellness

As it stands only 15% of employers have implemented a financial education programme in comparison to 47% of employers who offer traditional total reward statements to their employees. When we consider that 65% of employees are craving financial support in the workplace we can see that employers are still some way behind. What has traditionally gone before is no longer fit for purpose.

The good news is that our research suggests financial wellness programmes are high on the agenda for UK employers, with 47% considering implementing one for their workforce in 2017. Those employers who are offering financial education programmes have employees who are twice as likely to be very or extremely engaged in their organisation (38% compared to 19%). They are also proving to be more effective in meeting their benefits objectives (21% very effective and 89% effective compared to 10% very effective and 10% not effective at all). This spike in engagement and effectiveness demonstrates the true value of financial wellness to employees, helping them make sense and cope with the financial pressures of day to day life.

When we consider the economic and financial pressures prevailing in the UK currently, our view is clear that financial education and wellness needs will continue to boom throughout 2017 as employers listen and respond to the needs of their employees.

1. Listen to employees – identify what their core financial needs are
2. Understand the market and talk to providers
3. Analyse workforce data – employers need to ensure they are offering the products that employees need and ensure there’s a strong correlation between financial needs, demographics and life stages
4. Decide on short, medium and long term financial wellness goals
5. Embed a financial wellness programme into the overall benefits and reward strategy
So how can employers develop a financial wellness strategy?

Employers need to look at the make-up of their people. There is a strong correlation between financial needs and the stage employees are at in their personal life and career. For example, whether an employee is looking to buy a house, is having a baby or has a lower salary. It is also important for HR and reward professionals to look at whether their retirement plan take-up suggests a well-informed workforce and whether employees engage with financial decisions, such as fund selection and salary sacrifice. Finally, in our experience employees don’t know what they don’t know, so it is important to ask the right questions to really get under the skin of what the real needs and wants of employees are.

Once HR and reward professionals have looked from within it becomes easier to set the right strategy for financial wellness. But how can they go about this?

Firstly, it is really important for employers to identify their short, medium and long term financial wellness goals. Whether it is reviewing Lifetime ISA solutions in time for April 2017, analysing the impact of AE in April 2018 and beyond, or looking at longer term ways of implementing technology to facilitate the overhaul of finance benefits - HR and reward professionals need to have a clear strategy.

Secondly, employers must understand the market and take the test. With the pace of change and with so many providers clambering to get solutions to market it is important to take a holistic view of what may resonate with employees. HR and reward professionals should talk to providers and understand how solutions could work for individuals and how they fit together.

With clear goals and an overall approach defined, HR and reward professionals can start to meet the financial needs of their workforce and start to reverse the disparity between what employees want and what they have been providing.

The final piece of the jigsaw is embedding the approach into the wider benefits picture. HR and reward professionals should manage and review its performance side-by-side with other initiatives – making it part of the wider ongoing benefits governance.
Summary

The evidence for clear financial wellness in the workplace is increasingly compelling and has a natural link to wider benefits strategies for almost all UK companies at a time of great economic, political and legislative change.

Employees are facing greater financial pressure than ever before and it seems to be at a time when employers are shifting more responsibility onto employees with the move away from defined benefits to on-demand benefits.

The numbers back this up. According to analysis from The Money Charity, people in the UK owed nearly £1.5 trillion at the end of August 2016, up from £1.445 trillion at the end of August 2015 – that is an extra £995 per UK adult for the year\(^\text{10}\).

The same analysis shows that savings rates for UK households in Q2-2016 averaged just 5.1% of post-tax income at a time when interest rates dropped to 0.25%. Things are tough for employees and it is unsurprising to see financial worries featuring top on the list of stress causes in the UK.

Whilst employers cannot be responsible for all of the financial decisions an employee makes, our view is that there is a significant role for employers to play in the financial wellness of employees in the UK. Simply burying heads in the sand won’t solve the issues at hand. Employers can provide the platform to empower employees to improve their own financial outcomes.

We have provided employers with a blueprint for enabling financial wellness – starting with due diligence of what is available and what is utilised today measured against the demography of each organisation keeping benefits relevant. Data is key to understanding who employees are and what they want.

Once HR and reward professionals have the data to understand what they want to deliver, they then need to look at how to deliver it. As explored in this report, using this data insight to transform an organisation’s approach to financial wellness so its future-proof by offering personalised benefits that are conveniently accessed is key to engaging employees.

\(^{10}\) The Money Charity stats for October 2016 - [http://themoneycharity.org.uk/money-statistics/](http://themoneycharity.org.uk/money-statistics/)

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We know that employees want the accessibility and experience they get when they transact in any other aspect of their 21st century lives – “where and when can I get it?”, “what is relevant to me?”, “how can I learn about it?”, “how do I review it?” and “how can I transact?”.

All of these questions should be tested and easily answered. This could be an employee buying the latest tablet or joining a Corporate ISA for the first time as they embark on saving to get on the property ladder. Either way the experience needs to be the same and the facilitator has to be technology – a single platform to empower, engage, and communicate an employer’s ambition to enable employees to support their own financial wellness. All in a way that is relevant and convenient for them as individuals.

The ultimate conclusion that we draw from this latest piece of research and insight is that to improve employee happiness and engagement, employers must look beyond pensions to a much broader financial wellness solution. Without it, employers will fail to address the needs of more and more of their people as the years go on.
One of our core objectives was to increase our employees’ understanding and appreciation of their benefits, focusing on helping them improve their financial wellbeing. We delivered an innovative, continuous communication campaign using a variety of tools; emails, 1:1s, newsletters, desk-drops, events and presentations. During our “Money Month” we launched Nudge, a personalised financial education tool, desk-dropped chocolate coins and encouraged people to share money-saving tips using competitions. This has contributed to over 95% of employees joining the pension (an increase of 18% since 2014) and people rated their financial knowledge 7/10 or above.

Joanna Bean
Head of Total Rewards UK & Ireland, Samsung
Communicating employee benefits: driving the value of reward

“When people are financially invested, they want a return. When people are emotionally invested, they want to contribute.” - Simon Sinek

When we think about employee engagement our ambition is that benefits make a better workplace. Nothing sums up that ambition better than the above quote from one of the world’s leading authors and motivational speakers. Benefits help create an emotional connection between employer and employee which goes beyond salary payments and helps address some of the most important and emotive issues impacting employees – health, finances and family.

Tapping into those issues with the right communication strategy can make the difference between high and low perception of benefits and whether they contribute to that bigger goal.

Consumer businesses, such as Amazon and Apple are creating increasingly sophisticated ways to communicate with their customers, changing employees’ expectations of communications in the workplace. And coming into the workforce is a generation who has grown-up in a technology-rich environment, engaging with it across all aspects of their lives.
What’s more, today’s rapid pace of technological change and innovation colours every aspect of day-to-day life. With one in every five people in the world owning a smartphone and the average usage being over eight hours a day, we have unprecedented access to entertainment and information wherever we have a data connection\textsuperscript{11}. So, how do organisations compete for employee attention and enthusiasm against this backdrop?

For all but the most market leading employers, our research shows that a fundamental rethink of how benefits are communicated is urgently required. Within this chapter we take a deep-dive into communication best practice, identifying opportunities for improvement and sharing creative and innovative ways to think about benefits engagement.

**Benefits communication and employee engagement**

80% of companies ranked employee engagement as their top objective for their benefits programme. This is no surprise as research has proven that benefits play a critical role in optimising employee engagement and retaining talent\textsuperscript{12}.

If HR teams can demonstrate a link between their benefits programme and an improvement in engagement, they are much more likely to have the support of their key decision makers. This also puts them in a better position to justify change and increase investment even when companies are tightening their belts.

It’s important for employers to understand how the benefits they offer are contributing to or detracting from engagement within their organisation. But equally significant is how they choose to communicate what they are doing. After all, no matter how brilliantly conceived a benefits programme is, it has no value to employees unless they understand and appreciate what they have. This is reflected in our research; more than half of companies shared the view that the biggest impact on benefits engagement is the quality of communication.

Ultimately, benefits programmes will only improve employee engagement with their organisations if they are emotionally driven to their reward through effective communication.


The reality on the ground

So there is a strong case for the important role communication plays in the benefits mix. But, although communication is right up there in terms of potential positive impact, it seems organisations often fall short of their aspirations. In the top three issues relating to benefits, 2 in 5 HR and reward professionals say they have real difficulty communicating benefits effectively.

Of course from an HR perspective, it takes time, effort, budget and careful planning to drive effective communication. From our research and working with clients we can see the most effective benefits communication approaches pay equal attention to four areas:

- Frequency and timeliness of communication
- Variety of media used, especially digital media
- Relevancy of communication for different groups of employees
- Measurement of engagement for continuous improvement

Focusing on the first three areas gets people’s attention in the right way at the right time, keeping benefits high on their agenda and maximising their engagement potential. Measurement provides ammunition to prove the case for communication and licence to keep evolving and improving the approach.

But what is the reality on the ground and how are employers currently performing in all four areas?
Frequency and timeliness of benefits communication

As Figure 10 shows, a large number of respondents indicate organisations fall into a steady decline in communicating benefits to employees the longer the individual spends with them. Results show that employers are focusing most effort when employees are being recruited and first join the company (78% and 76% respectively).

The biggest disconnect here is the missed opportunity to communicate at workplace milestones such as during salary reviews, promotions and passing probation. 66% of employees want communication at these times, but only 24% of employers provide them. This is closely followed with a demand for communication around life changes which is not always being met; 53% of employees want to receive communication at these times and yet only 26% of employers are doing so.

It is clear from the results that UK employees want more frequent and timely communication. HR and reward professionals should consider taking a continuous engagement approach that doesn’t just react to change, but encourages change and adds value to the employee experience of working for their organisation at the moments that matter most. It’s not only about getting the timing of communications right, but also linking what the benefits can offer employees and the problems they solve to capture attention.

So do those employers who are communicating frequently have more engaged employees?
### Figure 10. When employers communicate about benefits vs. when employees want them to communicate

<table>
<thead>
<tr>
<th>Event</th>
<th>Percentage of employees who want employers to communicate at this point</th>
<th>Percentage of employers who actually communicate at this point</th>
</tr>
</thead>
<tbody>
<tr>
<td>Before joining - during recruitment and at job offer</td>
<td>72%</td>
<td>78%</td>
</tr>
<tr>
<td>Upon joining (as part of introduction)</td>
<td>73%</td>
<td>76%</td>
</tr>
<tr>
<td>During salary reviews, promotions and passing probation</td>
<td>66%</td>
<td>24%</td>
</tr>
<tr>
<td>On life changes (i.e. marriage or childbirth)</td>
<td>53%</td>
<td>26%</td>
</tr>
<tr>
<td>During annual enrolment (i.e. for flex)</td>
<td>61%</td>
<td>51%</td>
</tr>
<tr>
<td>Monthly or quarterly communications</td>
<td>48%</td>
<td>30%</td>
</tr>
<tr>
<td>Ad hoc (i.e. as benefits change)</td>
<td>65%</td>
<td>75%</td>
</tr>
</tbody>
</table>
Figure 11 shows us that the more frequently employers are communicating about benefits the greater the levels of engagement. For example, where employers communicate with employees at four or five different occasions (i.e. on annual enrolment, life changes etc.) 95% of employees report that they are proud to work for their company and 90% say they would recommend it to a friend. This falls by a third to 65% and 60% respectively where none or one communication point is used.

Frequency of communication plays a huge role in driving benefits engagement. The more we communicate, the more information is retained and becomes memorable, thereby creating the interaction required to engage the employee on an ongoing basis. HR and reward professionals who communicate just once or even twice a year about benefits need to consider reviewing the frequency of their communications as it is likely this is not enough.

The more frequently employers are communicating about benefits the greater the levels of engagement.
Figure 11. Number of times employers communicate about benefits vs. level of employee engagement
Variety of media used

Figure 12 shows there is a big difference in opinion between how employees like to receive information and how employers rate the effectiveness of that communication method.

Printed literature is the biggest disconnect here. In previous years, there has been a distinct drift away from print as companies, with an eye on cost and their green credentials, feel employees will perceive it as an unnecessary expense. However it’s clear employers should think again; while only 19% of employers think print is extremely or very effective by contrast 70% of employees said it is a way they would like to hear about the benefits on offer. If HR and reward professionals feel this may not be the case, they should get to know their employees and ask them directly what their media preferences are.

There is also a disparity between what digital tools employers think are effective and what employees actually want. 60% of employees want interactive digital tools and yet only 50% of employers think they are effective. Additionally, 66% of employees would like to receive digital communication on their benefits but only 50% of employers see this communication type as effective.

It is clear that diverse workforces are demanding a range of communication methods to suit their preferences for how they receive information and employers are not tuned into these needs.

However, it’s promising to see that HR and reward professionals are adopting a multi-media approach, with 59% of companies saying they are using four to five different methods of communication. These employers are aiming to account for the diversity of today’s places of work and people’s increasing desire to access information wherever they are and however they want.
Figure 12. Employers view of communication method vs. how employees want to be communicated to

<table>
<thead>
<tr>
<th>Communication Method</th>
<th>Percentage of Employees who want employers to communicate with them</th>
<th>Percentage of employers who think this communication method is extremely or very effective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Digital communications (emails, social media etc.)</td>
<td>66%</td>
<td>50%</td>
</tr>
<tr>
<td>Interactive digital tools allowing you to manage/review the benefits you receive</td>
<td>60%</td>
<td>50%</td>
</tr>
<tr>
<td>Printed literature</td>
<td>70%</td>
<td>19%</td>
</tr>
<tr>
<td>One-to-one face-to-face meetings</td>
<td>59%</td>
<td>76%</td>
</tr>
<tr>
<td>Group face-to-face meetings</td>
<td>54%</td>
<td>68%</td>
</tr>
</tbody>
</table>
Figure 13 shows a clear increase in engagement with benefits and the company as more communication tools are used. The opportunity for creativity and brand recognition using multiple media means campaigns can be more interactive and take engaging employees with their benefits to another level. Difficult or complex messaging can become more engaging and better understood if delivered using different communication methods.

What’s more, technology used to deliver benefits was rated the top influencing factor in how employees perceive their benefits package. Digital media and technology gives employees the opportunity to engage with their benefits when it suits them, connecting in while commuting to work for example, increasing the opportunity to capture and keep their attention.

![Figure 13. Number of ways employers communicate benefits vs. level of employee engagement](image-url)

- **Engagement with your employee benefits**: 20% (0 to 1), 42% (2 to 3), 59% (4 to 5+)
- **Engagement with your company culture**: 26% (0 to 1), 46% (2 to 3), 66% (4 to 5+)
- **Engagement with your company as a whole**: 27% (0 to 1), 50% (2 to 3), 68% (4 to 5+)
Figure 14 shows the striking increase in effectiveness when an employer uses mobile apps to communicate with employees on their benefits package. This consumer-led approach to communicating outside of work is changing the way information is retained and perceived by employees – crossing the barrier between work and personal life. It is promising to see that over 45% of employers are planning to enable employees to access their benefits on their mobile.

As our research evidences, the media used to communicate benefits needs to engage employees, just as much as the content itself does, and the success of any campaign can be determined by the way it is delivered.

There is a striking increase in effectiveness when an employer uses mobile apps to communicate with employees on their benefits package.

Figure 14. Employers offering access to benefits on mobile vs. level of employee engagement

<table>
<thead>
<tr>
<th>category</th>
<th>using mobile applications</th>
<th>not using mobile applications</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percentage of employers who say their benefits programme is very effective</td>
<td>20%</td>
<td>11%</td>
</tr>
<tr>
<td>Percentage of employees who are very or extremely engaged with their organisation</td>
<td>20%</td>
<td>3%</td>
</tr>
<tr>
<td>Percentage of employees who are very or extremely engaged with their benefits programme</td>
<td>30%</td>
<td>21%</td>
</tr>
</tbody>
</table>
Relevancy of communication for different groups of employees

As much as communications should be delivered in a variety of media formats and times to suit a diverse workforce, the communication content should also be varied enough that it appeals to all. This is achieved by grouping employees into different profiles based on their individual needs and creating communications to target them.

Significantly, only 9% of companies currently issue targeted communications to different groups within their workforce. Figure 15 shows employers who are segmenting and targeting benefits communications are twice as likely to be very effective in meeting their benefits programme objectives (21% compared to 10%). They are also showing that their employees are more engaged with their benefits package and with their organisation as a whole.

Figure 15. Employers’ approach to segmenting benefits communication vs. level of employee engagement
Attracting and retaining top talent was challenging, especially considering the diversity of roles within our company. Thorough stakeholder consultation showed our benefits offering to be dated and unaligned to employee needs, whilst we needed to support employee wellbeing and lifestyle. So we launched a benefits offering with a choice of preventative benefits, flexibility and accessibility. Taking a multi-channelled approach, we communicated this to employees using explanatory videos, drop-in sessions, video calls, posters and emails. Alongside this, our comprehensive wellbeing programme offered dedicated wellbeing days, onsite massages, an occupational health department and bootcamps. And we are incredibly proud of the results; 99% of employees logged in to their benefits and 96% of those made selections.

Amy Goodwin
Reward & Wellbeing, Mundipharma
It is promising to see that 45% of HR and reward professionals are planning to reinvigorate their programmes by segmenting and targeting their employees with more relevant communications. They are recognising that, for communications to have high impact, the approach should always be relevant and meaningful to the employee. In fact, there is evidence to suggest that irrelevant communication isn’t just ignored by employees - it can actively disengage them.

An approach where communications target specific groups and are therefore more relevant can help employees make more informed decisions about their life and their future. We believe benefits communication needs to ‘get personal’ and connect to real-life situations, life stages and lifestyle themes that employees can really relate to, going back to the financial, health and family themes we called out at the start of this report. If employees can’t see ‘what’s in it for me?’ then perhaps it’s time for employers to change their strategy.

**Measurement of engagement**

In order to constantly improve the previous three pillars of benefits communications (timeliness of communication, variety of media and relevancy) employers need to measure the effectiveness of their benefits engagement. Our research has shown how HR and reward professionals are monitoring this currently.
Figure 16. Employers approach to measuring employee engagement

- **General engagement surveys**: 75%
- **Exit interviews**: 67%
- **Ad hoc employee feedback**: 63%
- **Employee representative forum**: 40%
- **'Best Companies to Work For' (or similar) surveys**: 32%
- **Specific reward and benefits surveys**: 30%
- **None of the above**: 2%
75% of companies who responded use general engagement surveys, 67% gather data from exit interviews, and 63% from ad hoc feedback. It seems that there’s a lot of data being gathered, but it is often too disparate to prove the effectiveness of a particular communications approach or too late to effect a change. What can you do for the employee who has one foot out the door? How can you make the case for more investment in communication when you can’t test and improve the effectiveness of specific campaigns or interventions?

This is where technology and data come together to really become our friends. Digital media provides many opportunities for instantaneous proof of engagement. This form of communication is not just more appealing and convenient for the employee, but can provide an instant data point to help understand the level of engagement with that communication tool.

However, even traditional activities, like benefit roadshows, can be measured providing the criteria is built into the overall approach. The key to success is to plan measurement into activities ahead of the process rather than adding it as an afterthought. For example, HR and reward professionals should get employees to book into roadshow sessions, so they have a log of their interest and attendance. It also provides employers with a link to the decisions employees are making and the value they derive from their benefits. It is important employers don’t just ‘fire and forget’ or generalise that the event was a success or not based on subjective criteria or gut instinct alone.
It’s evident that the desire from HR and reward professionals for clear and effective benefits communications to drive employee engagement has never been greater. And it’s clear why – workforce demographics are broader than ever, as are the needs catered for within benefits programmes and the digital communication options on offer.

While there are many success stories, a significant proportion of employers feel there is still opportunity to improve their current communications approach. What was striking from our results is even those having some success with benefits communication today are tending to do only one or two things well rather than ensuring every aspect of great communications are incorporated into their approach.

But what’s more notable is employees are also expressing a clear need for better communications. Today, it can feel sporadic and disjointed. A lack of planning, structure and consistency means many organisations are failing to capitalise on the effort they put into communications outside the point of someone joining the company or at an annual relaunch of benefits.

Change is never easy, however, and improving this picture is not a one-size-fits-all approach. There are no hard and fast rules about how much time and resource to deploy. Put simply, demographics, culture and even range of benefits themselves are too varied to suggest we can all follow one single template. That said, wherever the starting point, we can establish that there are four building blocks HR and reward professionals should focus on to drive the value of reward through communication programmes:

- Frequency and timeliness of benefits communication
- Variety of media used, especially digital, to capture the data points
- Relevancy of communication for different groups of employees
- Measurement of engagement for continuous improvement

Summary
Organisations need to address and employ all four building blocks even if they choose not to tackle them all immediately. HR and reward professionals should be smart about how to apply resource and not forget to measure. Measurement is the key to proving return on investment, making a case for future spend and guiding next steps.

In tandem with planning, employers need to get to know their workforce, avoid making assumptions, and find out what works for them. HR and reward professionals can kick-start the process through research, speaking to in-house communication experts and employees, and have confidence in knowing that it can be as equally important to try something different and measure to see the results. Employers must never forget there’s a human being at the end of their programme and creating an emotional connection is paramount. It is important to cater, as far as possible, to their communication preferences in order to engage them effectively.

And, finally, in this digital age there is an opportunity for all employees - even if they are traditionally seen as ‘offline’ - to be reached through technology. As working life gets busier and people choose to interact with the world on the move, employees will increasingly interact with information on their mobile devices that is convenient to access and enables them to interact with their benefits programme. This offers the opportunity to drive communication through digital, easily-measurable media, which can help HR and reward professionals build the case to digitally transform their communications and drive greater engagement with employees.
We wanted to refresh our colleague reward offering to help increase engagement levels. So we undertook a full benefits review to revitalise our benefits brand, Sage Rewards. We listened to what colleagues wanted and launched with a fun communications campaign targeting our workforce demographic – a festival theme enabled employees to ‘select their benefits line-up’.

Using a range of communication tools was critical to engage employees. Festival lanyards, wristband desk-drops, emails and posters advertising our benefits ‘headline acts’ publicised our message of choice and flexibility for diverse needs. We even held festival themed benefits roadshows at our offices, with hay bales and Sage green candy floss! As a result, benefits logins increased from 54% to 84% in one year and the number of benefits selected increased by 62%. Engagement with our benefits package also increased by 13%. The success of this initiative means we are now rolling this out globally.

Kelly Mitchell
Senior Reward Specialist, Sage UKI
Conclusion

Transformation requires a significant amount of bravery. For many of us, the risk of change can feel too high, even if we want to take the leap. That is why, as we have seen in this report, many UK employers are continuing to stick to traditional approaches and benefit offerings that no longer align to what employees want. And, as the repercussions of this build over time – often years - we find ourselves waiting until major change is much needed, by which time our hand is forced.

We set out with the ambition for this year’s report to see if we could identify transformational thinking amongst leading employers in the market that would help inspire our readership to take action and change their approach to benefits, for good.

Change starts with the recognition of several truths; that the workplace is more complex than ever, employees’ needs are more diverse than ever and their expectations of experience, culture and environment at work are more pressing than ever.

In recognising this, there is both a bottom-line incentive in the form of improved business performance and a human imperative, as employers must take on a greater duty of care for their people in today’s world. These are the keys to transformation as we re-think our benefit programmes in 2017 and beyond.
So what is the end goal for this transformation? Employee engagement is the single biggest objective for most HR and reward professionals, as far as benefits are concerned. 81% of respondents state it as their top priority or return on investment from their benefits spend, with an even greater number (98%) believing engagement with benefits drives higher-level organisational engagement.

However, this year’s report has shown there is a significant gap between the ambition and the reality of the approach. The three biggest influences on engagement, as stated by employees, are the quality of communications (58%), the convenience of accessing benefits (49%) and the relevance of the options they are presented with (43%). Yet, as we have seen, this is where some of the greatest disconnect in UK employers’ approach and employees’ demand appears.

Turning our attention to communications, although it has the biggest impact on perception, it is one of the biggest challenges for HR and reward professionals, with 37% citing it as a major obstacle to success. This year’s report uncovers what’s needed – more communication around key life and work events as well as a variety of media and more digital content that can be consumed on the go. The importance of that latter point is that it doesn’t only provide a consumer-grade experience, but also the data required to continuously measure and improve how communications are delivered.

Then there is convenience. Once again, employees are loud and clear in their preferences. Beyond all other factors, including the level of funding invested into benefits, convenience and the use of technology are the biggest single factor influencing an employee’s perception of their benefits (average score of 8 out of 10). When we drill down into the detail, there is one factor that stands out more than most in what employees want – 68% said the most important technological tool they could have is a single platform with everything in one place, which significantly outweighs the 16% of employers focusing on this as their approach. This theme resonates through all areas of this year’s report, with the focus on enabling the employee to take control of their own needs, rather than rely on the employer to manage a few big benefits for them. Personalisation is no longer the new watchword; it needs to become common practice.
Finally, we come on to relevance. Unlike technology and communications, this goes to the heart of what benefits we actually offer our employees. Whilst over 50% of employees want greater support and funding to improve their wellbeing, only 4% - the early adopters - have ventured into this aspect of benefits design. Similarly, the gulf between companies offering broader financial support (7%) and employees demanding it (65%) is huge. This goes to prove there is a changing focus in employee pressures and priorities that companies are failing to meet and why, in spite of the importance of engagement, they are therefore failing to engage their people. The report highlights the need to offer employees choice, such that they can positively impact the outcomes they are hoping for. Once again, data is at the heart of this approach. Without data employers are continuing to offer benefits that fall short of employee expectations.

There is usually someone who has said it better before, so we’d like to leave you with this quote from Napoleon Hill, author of Think and Grow Rich, one of the best-selling self-help books of all time:

"First comes thought; then organization of that thought into ideas and plans; then transformation of those plans into reality. The beginning, as you will observe, is in your imagination.

Napoleon Hill
Author of Think and Grow Rich"
A total of 448 global HR and reward professionals at organisations from 41 different sectors took part in the online Global Employee Benefits Watch survey in 2016.

Respondents completed an online questionnaire on the employee benefits they offer and their reward strategy and approach. Alongside the employer survey, Thomsons Online Benefits commissioned an employee survey, which was completed by 1,120 employees working for large organisations around the globe. This report focuses on the data from 200 UK employers and 500 UK employees.

Thomsons also gathered insights from US and UK employees aged 18+, working for companies with 5,000+ employees. This survey was conducted using Google Consumer Surveys between September 1st and September 3rd, 2016. This survey includes responses from 850 US based employees and 500 UK based employees.

**Employer survey:** How many employees does your organisation have?

<table>
<thead>
<tr>
<th>Number of Employees</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>less than 500</td>
<td>17%</td>
</tr>
<tr>
<td>500 to 1,999</td>
<td>33%</td>
</tr>
<tr>
<td>2,000 to 4,999</td>
<td>21%</td>
</tr>
<tr>
<td>5,000 to 9,999</td>
<td>10%</td>
</tr>
<tr>
<td>10,000 to 19,999</td>
<td>8%</td>
</tr>
<tr>
<td>20,000 to 49,000</td>
<td>5%</td>
</tr>
<tr>
<td>more than 50,000</td>
<td>6%</td>
</tr>
</tbody>
</table>
Appendix


6. Bersin by Deloitte - Predictions for 2017: Everything is becoming digital


8. The Money Charity - http://themoneycharity.org.uk/


Thomsons is a provider of global employee benefits and employee engagement software. Our award-winning platform, Darwin™, is the global market leader for automated employee benefits management, connecting employees with their benefits in over 84 countries and 20 languages.

Darwin provides a tailored solution to meet a variety of employee benefit and reward needs. Its ability to constantly evolve and cater to shifting workforce trends has made it the provider of choice for many global brands, including seven of the world’s top ten technology companies. Through Darwin your employees can manage their benefits package online from any device, anywhere, keeping them informed, inspired and engaged.

A great benefits management needs more than technology. Thomsons also provides market-leading insight into benefits design, broking, communications or administration, our services are tailored to offer genuine value to employers and their employees.

To find out more about Thomsons’ point of view, experience and services in any of the areas covered in the report please contact one of our contributors.

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