



Flexible benefits – leveraging the business benefits

adding value to HR

Your organisation's approach to benefits will determine not only the success of any scheme introduced but also the ultimate impact on the bottom line. Flexible benefits should not be a knee-jerk response to employee demand but should be designed to assist your organisation in achieving certain clearly defined business goals.

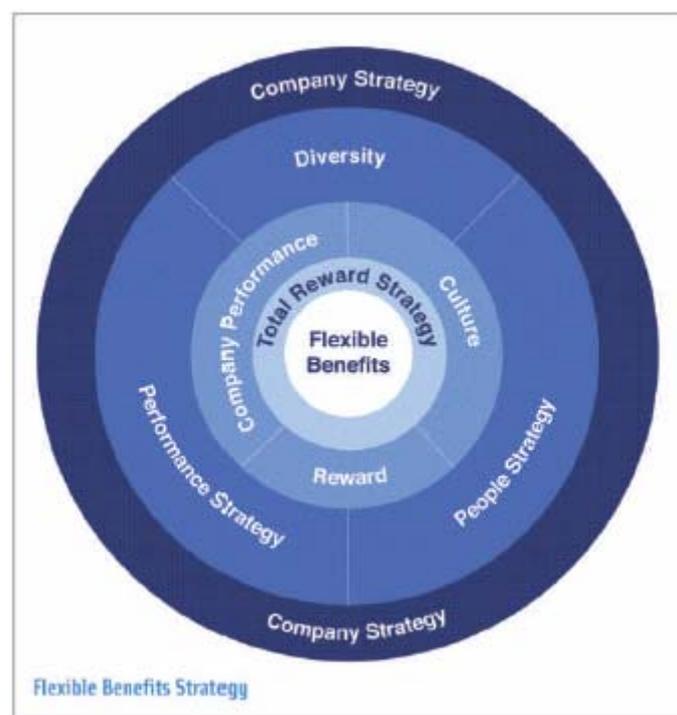
Driving business performance

Flexible benefits should be viewed as an opportunity to make a real difference to your organisation. It should be linked not only to reward but also to people and performance strategy. A successful benefits solution will seek to encourage a change in employee behaviours by, for example, raising customer service excellence or increasing productivity. These employee behaviours will ultimately drive company performance, the ultimate goal.

A performance management culture needs to be in place to support and monitor those desired changes in employee behaviours, which inherently link to the reward and people strategy. The latter includes recruitment and retention, succession planning and people development.

Delivering a successful flexible benefits programme is a lot more than just building up a rational business case for implementation based solely on direct costs and returns. The ROI should make a real difference. It comes down to what your organisation is trying to achieve as part of its overall company strategy. So an effective benefits programme should be driven by the business objectives of your organisation, aligned to its culture and diversity.

The differences attained could be in terms of higher employee productivity, better employee retention, improved employee satisfaction, greater employee engagement or increased duty of care. Your organisation may be aiming to be the 'employer of choice' or simply matching the current market offer in your market sector.



Pushing business objectives through flexible benefits – practical examples:

Using flexible benefits to encourage diversity

Company A is a business that has grown through acquisition with a wide geographical spread of corporate locations. They have different employee contracts in place, in different countries and therefore need a flexible benefits programme that takes full account of the diverse workforce. It should also be able to accommodate employees moving from one country to another as part of their career development. It is essential that the reward strategy is seen as reinforcing the corporate, multinational brand, offering a choice of benefits that can be tailored to suit the needs of the entire workforce. Combined with appropriate recruitment and retention initiatives, offering flexible benefits enables Company A to engage with all their employees.

Creating competitive advantage through flexible benefits

Company B operates in a highly competitive environment and wants a flexible benefits programme that can clearly demonstrate to its employees the total financial benefit of working for it rather than one of its competitors. Transparency is a clear requirement in this instance with a structured benefits development programme required, scheduled over several years. The ability to model a Total Reward plan over 5 years truly engages the potential employee by demonstrating their wealth generation over the short, medium or long term. This model can incorporate expected earnings through shares and share options as well as demonstrating the significant value of pension contributions, insurance and healthcare.

Flexible benefits for the X, Y and Z generations

With a mix of generations, with their individual wants, the new way for most companies will have to be 'one size fits one', not "one size fits all". Each employee has to be treated as an individual and flexible benefits, which can be tailored to that individual, are a great start. You need to consider generational differences and align rewards to employee needs and motivations by allowing employees to choose between different options, in order to cater for a workforce made up of 3 very different generations.

Benefits related to health, money, career and work-life balance are viewed quite differently by employees of different generations. As employees get older their priorities change. A young person may want to spend more on a company car benefit than a pension, a family person more on child care and an older employee will be keen to contribute more to their pension and healthcare provisions. With an ageing workforce, it is important to adapt a flexible benefits package to the seasonality of their lives. And by providing them with the decision-making tools, they can 'flex' their benefits to their advantage.

Rewards aligned to the individual increase employee engagement and better align efforts with business goals. An effective reward and benefit strategy can improve the productivity of a business by boosting employee satisfaction, performance and retention.

Research shows that flexible benefits are one of the most important factors in determining job satisfaction, whatever the age of the employee. And of course job satisfaction can be directly linked to employee retention.

Implementing a successful flexible benefits programme

Where to start? Having defined your business objectives, you need to work out the most efficient way of making flexible benefits a reality for your business. In contemplating the introduction of flexible benefits the defined stages can be delivered by a range of providers ranging from large consultancies through to small specialist organisations. The key to appointing a supplier is that they can manage the delivery of all the component parts of the project from feasibility study, scheme design through to implementation and communication. It may be that these services are delivered by different organisations but clear ownership is vital to success.

The key is to appoint a provider that can either deliver or manage the technology, the consulting and the administration services you need.

Once the drivers for introducing a flexible benefits programme have been identified and agreed at senior level, a period of consultation needs to take place to determine what coherent policy and benefits package will achieve those aims. The scheme needs to be carefully designed to cover all areas and then communicated effectively to your organisation's employees, especially if it comprises a diverse workforce at multiple locations.

The technological platform needs to be carefully considered. A hosted option is the best way forward due to lower implementation and ongoing costs and better security. Any upgrades and changes required are also much easier to undertake.

From the employee perspective, online flexible benefits are better too. Take for example, pensions; there is a much higher take up than with a paper-based process. Online, pension benefits models can be created and demonstrated easily and quickly for clearer decision-making. Compared to dull financial tables and masses of paperwork, it comes as no surprise that most employees are more responsive to an online solution.

Another advantage of an online solution is that access is 24/7 from any location. Some flexible benefits decisions, such as healthcare provision, may involve the whole family so to be able to access a flexible benefits package from home is a distinct advantage. Again, there is better take up when decisions on the various flexible benefits options are made from home. Since the decisions on flexible benefits will affect the family and its lifestyle it makes sense for involvement at home.

The importance of communication and keeping benefits fresh

Flexible benefits communication and administration are critical elements to success. Consideration should be given to the needs and preferences of employees from different generations and the best approach is to communicate benefits information in multiple ways. While younger employees will expect online communication, older employees may not be so comfortable or even have such facilities at home. In this instance, printed and mailed information would be a preferred method of communication and elicit a more positive response. Different communication methods ranging from face-to-face meetings, e-mail, intranet tools and printed materials all have value and are received in different ways by different generations.

Inevitably, after successful launch and take-up, any scheme will need to be regularly refreshed and re-defined in line with changes to overall business strategy. Also people's preferences and priorities change, so it's essential that there are regular opportunities to review and re-enrol. Having a one to five-year reward programme is the soundest approach.

It is essential to engage with employees through their employment and to focus on delivering benefits at the appropriate time through the incorporation of life events. i.e. to allow a mother to receive childcare vouchers or to ensure that on promotion an employee can adjust their spending on benefits.

Benefits should always be aligned to your business objectives and in doing so you will ensure that you are rewarding your employees whose behaviours deliver business strategy.

Benefits should be seen as a strategic tool to use as part of the overall strategy thus elevating their composition away from an administrative HR activity to the boardroom. Once this approach has been approved then the implementation and success of a truly effective rewards programme will be secured.

The next main decision is in the choice of provider. The market is somewhat confusing with organisations offering an elaborate range of products and services to deliver this need. One thing that is clear is the need to have defined data ownership from day one; provider feeds through to HR and employee payslips.

Put flexible benefits on your agenda

A flexible benefits programme is far more than just a vehicle for rewarding an organisation's employees. Approached in the right way, it can prove to be a highly effective HR tool for steering change within your organisation to make a real contribution to overall business strategy. If you're not already operating a flexible benefits scheme, now's the time to start evaluating how offering this choice can support your business plans and deliver company-wide results from the HR team.

Jason Taylor
Consulting Services Director
Ceridian

Ceridian flexible benefits

The technology powering Ceridian's latest fully-integrated, self-service, online flexible benefits programme won the *Innovation Award* at the 2005 Institute of Payroll and Pensions Management Ceremony.

It has been designed for ease of integration, regardless of the HR and payroll systems in use, and includes multi-language and multi-currency features for global applications.

From an employer's standpoint, Ceridian's experts can advise on how best to set up and tailor a cost-effective flexible benefits scheme for any company. As well as being able to provide administration and employee support services, Ceridian also provides an online employee portal that enables benefits administration, total reward statements, enrolment and reporting administration. Enrolment can be all-year round, performed automatically or manually. Benefits can be added and removed easily, mass updates handled and last-minute configuration changes accommodated. Tax, NI and benefits legislation upgrades are standard.

For employees, the flexibility means that they are able to make benefit choices to suit their lifestyle and view their current and historical total reward statements online to see their value to the company and the true cost of employment. They can modify their personal benefits at any time in accordance with their company's core benefits rules. An automatic on-screen calculator and hyperlinks allow for making informed decisions.

The technology powering Ceridian's solution is fully scaleable and customisable, and has been designed for companies ranging from 50 to 50,000 employees. The solution is highly configurable and rules-driven, allowing any number of benefits and pricing options to be easily accommodated.

Your flexible benefits scheme can include:

- Annual salary
- Bonus
- Car/car allowance
- Childcare vouchers
- Company bicycles
- Computers for home
- Critical illness insurance
- Dental insurance
- Fixed and variable cash payments
- Gym
- Holiday (buying and selling through salary sacrifice)
- House insurance
- Life assurance
- Pensions (DB and DC)
- Periodicals
- Personal accident insurance
- PHI
- Private medical insurance
- Retail vouchers
- Shares
- Spouses pension
- Travel insurance

To find out more, contact Ceridian on 0800 733 337 or email info@ceridian.com.

Ceridian can provide technology, consulting and administration services to power your flexible benefits scheme.