

Viewpoints

Q & A

Employee benefits around the world: common themes, new opportunities and challenges

Employers worldwide are redesigning their employee health benefit programs to rein in costs, and improve attraction and retention. Some strategies are common to all regions globally, including boosting the use of technology, a focus on flexibility and employee responsibility. Significant differences remain, however, between highly developed and less mature markets. How will economic constraints, competition for talent, changing workforce demographics and demands impact employers in the coming years?

Regional leaders from Willis Towers Watson's Health and Benefits practice recently discussed this dynamic topic. This article summarizes their discussion.

Business and demographic changes

Q Coleman: How have the continuing business and demographic changes in your respective regions impacted the way employers approach benefits?

A Newman: In Great Britain, employers are starting to think hard about demographic changes. We commissioned some research a couple of years ago with the Economist Intelligence Unit entitled *Is 75 the new 65?*, because we think our clients will seek some fundamental changes in response to demographic changes.

The vast majority of respondents believe there will be more 60-year-olds in the workforce by 2020 than there were at the time of our survey, and also that the aging workforce could mean existing benefit plans are no longer fit for purpose or will become cost prohibitive for companies and governments. So I think we're going to see policy change as we adapt to demographic shifts, and also some risk of higher costs.



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It's not just demographic change either, we also need to take into account – certainly in Great Britain – the impact of trends in state provision of benefits. The government is cutting back on benefits with initiatives such as welfare reform, as well as considering potential changes to the original principles of a free National Health Service at point of service. Already you're starting to see responsibility for existing state benefits being pushed onto employers. What are employers going to do? Are they going to accept the challenge of rising costs or are they looking to similarly push some of these costs onto employees? So I think demographic changes – together with resulting state changes – mean that we are going to see clients question whether existing benefit plans still fulfill their purpose.

Saravi: What may be different in Latin America from the U.K., or Europe in general, is that we are encountering the trend much later. Until recently, the base of the population has been a traditional pyramid, probably the same as in Asia, with a very strong base of young people supporting retirees and people over 60 or 65. But with more countries expanding their middle class, the group of people over 50 years of age has increased, and what used to be a pyramid looks more like a square, or at least the prospects for 2020 to 2050 in Latin America look that way.

In a 2016 seminar for our clients in Chile, a former Minister of Finance spoke about pension reform currently being discussed as a consequence of the state program struggling to provide sufficient income to retirees. One of the issues is an inadequate number of workers to support an increasing number of retirees.

So the country is considering actually extending the retirement age from 60 to 65 for women, and even extending the age for both women and men to 70 at some point in the near future. So it hasn't been historically a big issue for Latin America, but it's becoming a serious issue as the region grows and our countries develop.

Stone: In North America, employers are increasingly focused on what it means to have three generations in the workforce. This includes flexibility and redefining meaningful choice, tailoring program designs, and providing information and guidance based on where people are in their life, as well as ways to engage them appropriately for their personal circumstances and preferences. We're at a place where emerging solutions and technology allow employers to think differently about benefit strategy.

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Luah: In Asia, medical benefits continue to be the key benefit offered to employees across the region, except for some countries like Japan and Australia. However, due to increasing costs, employers look for new ways to fund expenses or shift costs. Due to the changes in demographics, portability (or the ability to convert to individual plans) has been increasingly in demand, especially in more developed markets like Hong Kong and Singapore, as well as fast-moving markets like China and Malaysia.

Flex continues to be a hot topic, given its link to retention. However, most employers fear its complexity. Many are looking for efficient solutions.

As in other regions, cost pressures continue to be a key consideration. There is a sense of looking for something new – wellness, flex/choice, new products, new solutions, new ways of working. However, no clear direction has developed within the region, nor a clear trend yet.

Q Coleman: Melanie, what about in Central and Eastern Europe, the Middle East and Africa?

A Birge: Clearly, these regions are very diverse – spanning from Vladivostok in Russia to Cape Town in South Africa, but one feature they all share is change and challenges. The economies in Russia, the Middle East and Africa suffer currently from low oil and commodity prices. Employers try to save money and cut costs. They also reduce head counts.

We also see continuing medical inflation. Drugs are imported, and medicine overall is becoming more sophisticated and expensive. As a result, the insurance market is seeking a balanced loss ratio solution.

In addition to that, we see increasing government involvement with regulatory changes, for example, mandating health insurance. This happened this past year in the Middle East and in French-speaking Africa. Finally, we are seeing a trend of employers introducing copayments and transferring cost to employees.

The role of benefits in talent attraction

Q Coleman: Given the ongoing battle for talent, how have employers effectively used benefits to compete for the best talent?

A Newman: In Great Britain, we're starting to see a bit of change here but we're not seeing a total overhaul of existing benefits just on the issue of competing for talent. However, clients do question the relevance of some historic benefits to a new generation in their workforce – and they focus on other benefits that may be more relevant. So we are in early stages of change, looking to survey focus groups for their opinions on existing and potential future benefits, and how they're delivered.

In particular, companies recognize that the latest generation is tech savvy and time poor. So we're looking at benefit delivery mechanisms that make greater use of technology, rather than changing the benefits per se. Alongside that, we see some interesting initiatives, such as the use of telemedicine and virtual general practitioner services that deliver health care to people who are comfortable with technology, but don't have time to access primary care.

Saravi: Findings from Willis Towers Watson's Talent Management and Rewards Study, as well as our Global Workforce Study, show that perhaps in Latin America, the war for talent has cooled down a little bit in the last couple of years. This may be due, in large part, to the economic downturn in Brazil, which serves as a big engine for the performance of the rest of the countries in the region.

However, progressive employers are starting to get ready for the time when the economy improves. They are starting to develop strategies to go after key talent at that time.

Most of these companies are looking for flexible solutions, in line with what Kevin was saying, to make sure that the benefit offering is relevant to different demographic groups now in the workforce. Many others, under pressure for savings, are making slight, or in some cases, drastic changes to their health care plans to reduce costs and make coverage affordable in the long run.

Finally, some others focus on communications. Often times, employees do not appreciate their employers' investment in benefits simply because they are not properly communicated.

Q Coleman: Julie, what are employers doing with benefits in order to compete for the best talent in North America?

A Stone: Some organizations are committed to benefits as a differentiator when they compete for talent and demonstrate leading-edge thinking in terms of where benefits fit into the overall employee value proposition. Others view benefits as neutral in the talent equation. They don't want it to be a detraction, so they want to be comparable with the competition but not the main reason people choose to come to work for them.

This varies depending on the industry, the particular organization and the types of talent that they're competing for – and within that context, it also varies depending on the nature and the age of the workforce. So we see innovation on student loan repayment programs, which takes on more importance if you're generally hiring significant numbers of people out of college or graduate school, as opposed to those organizations that tend to make more mid-career hires or have lower turnover and an older workforce.

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Q Coleman: Are you seeing any differentiation by industry or the size of the company?

A Stone: Yes, certainly in high tech, great competition for talent continues to move the needle on benefit programs, offerings and perks, and voluntary benefits. And that's having an effect on other industries that typically have not been competing with high tech in the past but now they find they are competing for talent for IT and finance jobs, as an example. From a labor market perspective, an increasing number of organizations are starting to benchmark themselves against high tech.

We see the addition of new benefit programs, notably, rethinking leave policy, becoming a very significant priority for many organizations – including parental leave and other family-leave types, sabbaticals, time off to volunteer – so really thinking holistically how to attract that next generation across a wide range of options.

Luah: In Asia, flexible work arrangements are key to attracting the right talent. Employers are beginning to recognize the need to segment the workforce, for example, by age group, in order to meet workforce needs appropriately. The ability to meet expectations of different age groups is starting to gain traction; therefore, optional top-up and voluntary solutions are all tools that need further development. Again, new ideas and new solutions are always in demand. However, due to cost pressure, limited changes have taken place.

Birge: Central and Eastern European countries have been experiencing a very low unemployment rate, creating an interesting battle for talent. We see salary increases and benefits linked to other aspects of employee life, for instance, rewarding healthy living and incorporating physical activity within the work setting (including gym access) in order to emphasize how they impact a successful or fuller life.

Offering a long-term savings plan is also part of the overall strategy. However, it is not always easy to implement in economies where we see inflation or risks. The benchmarking of benefits is becoming key as it is no longer enough just to offer minimum benefits; to attract the best talent you have to be competitive with your industry peers.

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Mattaranz: Demographics in Europe have changed dramatically with a growing mismatch between low birth rates and greater longevity. In addition, the European pension system is facing a demographic tsunami with migratory flows, often driven by the economic crisis and war conflicts in several countries, playing a key role. The state pension system is one of the fundamental elements of the European social welfare model. However, most countries have not saved enough to pay for these benefits and simply pay for them with current tax revenues.

Europe's retired population is the largest in the world, and continues to grow. There are 42 people over 65 not working for every 100 active workers. By 2060, this proportion will rise, from 42% to 65%, according to the European Union's data agency. Health benefit costs will be a challenge due to our aging workforce, so cost optimization will be one of the major impacts. We are keeping an eye on how these demographic changes affect our countries in Western Europe.

As a result, employers must be aware of the growing competition to recruit the best and youngest talent. Employers want carriers/insurers to provide flexible, competitive and, above all, compliant and creative solutions. Employers want to minimize their role in the administration of their benefit programs through the use of and access to online solutions, supporting tools and call centers.

Tools and technology

Q Coleman: What tools and techniques have you seen utilized in employee benefits to improve employee engagement in your region?

A Newman: In Great Britain, we are starting to see clients recognize that the traditional communication mechanism of pension and benefit booklets is outdated. As a result, employers are looking to invest in consumer-grade communications that are both targeted to and segmented by different generations to help improve engagement with benefits.

So we're seeing employer interest in benefits that are easier to navigate and access through the use of technology, and simpler in both design and communication.

Saravi: Similarly, in Latin America, we're seeing employers deploy technology solutions so they can interact more effectively with their employees, integrating the benefit offering into the rest of the components of their employee value proposition and their Total Rewards strategy. Communication through all applicable platforms, not only technology but tailored for each of the demographic cohorts they may have in the workforce, is seen as an enabler for people to know what benefits they have and, ideally, also how much they are worth to each beneficiary.

Luah: In Asia, as in other regions, the importance of utilizing technology and offering mobile-friendly solutions is growing. More and more applications are available in the market from consultant/brokers, TPAs and insurers – all with the goal of improving employees' engagement level.

Birge: In Africa, due to the lack of health care infrastructure, telemedicine sounds like an El Dorado or a miracle solution. However, telemedicine will not be an easy revolution. Legal frameworks have to evolve, technologic infrastructure (e.g., Internet connections) have to be efficient, and doctors who know the social context and the local languages will be required. In addition, patients may not be ready to be satisfied without human contact.

Mattaranz: Employers must look beyond traditional compensation and benefit programs and take note of other initiatives you might already be able to offer. As technology continues to evolve, it plays an increasingly important role in the way companies approach the talent search and hiring process.

Many experts suggest providing employees with an annual benefit statement that spells out what they're getting and at what cost. A simple rundown of the employee's individual benefits and what they cost the employer is very powerful. Also, new technologies that enable employees to access all their benefits online definitely help improve engagement. These online tools also allow employers to measure the employee value of actual benefit programs.

Stone: In North America, it feels as if there is a new tool or technology on the market every day related to health and employee engagement. We're seeing tools get traction as a common platform, for instance, a digital platform such as Jiff, where an employer can curate well-being apps and employees can access a variety of programs and tools from a single site. This lends itself to workplace well-being programs such as activity competitions, as well as individual engagement. There are a wide array of tools to engage people all year round.

We see significant advancements in very targeted solutions for engaging people with chronic conditions or maternity management programs. There's such a wide variety of technological solutions that a number of employers seek how to assess which best fits their population, what will be most effective in engaging employees and how they can measure the true effectiveness of various solutions.

Another area worth mentioning, although it's a little bit more about access to care than technology and engagement, is the development and rapid uptake in North America of telemedicine and tele-behavioral health. The combination of personalized care and virtual delivery bridges the access

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gap. It's significant in terms of convenience and there are a number of types of services that can be delivered either virtually through video or telephone. It reduces time away from work and enables employees to either seek treatment or visit a medical professional in a much more time-effective way.

Q Coleman: Yes, it's interesting you mentioned telemedicine because it offers potential to some of our other regions, particularly the emerging markets where there is poor health care infrastructure – that is very different obviously from North America. Are you seeing any issues that will prevent more widespread adoption of telemedicine for employers?

A Stone: I think it's really a budding opportunity. There are barriers within the U.S. in select states where some organizations have lobbied against it. I expect those objections are being worked through from a regulatory perspective. Outside the U.S., we'll have to look at headwinds country by country.

Another service that's similar to telemedicine would be what I would characterize as expert medical opinion – the chance for a patient with a specific diagnosis and recommended treatment to hear from an objective expert outside to confirm or suggest alternative courses of treatment. I see growing interest in this globally, in the short run, as well as some barriers outside the U.S. But as we think about this global world we live in and how it's shrinking, services like telemedicine and expert medical opinions may have the potential to help multinationals create the same employee experience outside the U.S. as in the U.S.

Obviously I'm looking at it from a U.S.-based multinational perspective, but I think technology offers lots of opportunity that never existed before.

New employment structures

Q Coleman: What's your view of the new employment structures, such as a contingent or an "uber" style workforce, and how they affect the growth of part-time staff, etc.? How do they impact benefit delivery in your region?

A Newman: In Great Britain, the key change is workforce segmentation, where different segments get different benefits. The traditional one-size-fits-all benefit package probably no longer works. For instance, for part-time staff and some different styles of workforce, we're seeing interest increase in voluntary-style benefits, where the employer provides access to benefits that are actually paid for by employees at better rates than they could get in the individual market. And again, the common theme is making these benefits simple to access in terms of delivery as well.

The traditional one-size-fits-all benefit package no longer works.

Saravi: In Latin America, these more flexible working arrangements are not typically as popular. I was actually speaking with our colleagues in different countries across our region about this issue recently, and it seems that in many places labor laws limit the proliferation of flexible working arrangements. So, for the most part, our clients have very traditional forms of employment, with a few exceptions.

One of the major obstacles, of course, is perhaps that in many of our countries the IT infrastructure may not be as strong as in the U.S. or in Europe, making working from home remotely a little bit more difficult to implement.

Luah: In Asia, flexibility and convertibility has become an important factor with changing employment structures. Traditional insured benefits have become less effective as a retention tool for the new workforce segments. However, employers may look for ways to limit their liabilities.

Stone: In North America, there has been some movement to a contingent workforce. However, in the U.S., specifically, there is the potential for this trend to significantly slow down as a result of the most recent presidential election. This has been enabled, in part, by access to health care coverage through other venues. And access to health care outside the employer could change dramatically over the coming year under the new administration.

For instance, I was in a discussion recently with an employer that was planning on significant growth using a contingent workforce in a gig economy. They need to have a plan B, because there is a risk that this group of people with access to health care outside the company will not have that available down the road.

Coleman: From a global standpoint, many multinationals have to rethink their whole benefit philosophy. The contingent workforce will make them think about a more segmented approach to contingent versus noncontingent workers in what they provide to their workforce across the globe.

Separately, some companies have branched out to different industry segments and they've got to have different philosophies and design for those different employment segments. The contingency work trend has just accelerated that differentiation requirement. At the same time, insurers will be challenged because they are not used to pricing different plans for different segments of one company.

From a global headquarters standpoint, many of our multinational clients are starting to take another look at their global benefit philosophy, which historically has linked employer-provided benefits to a minimum period employees have to work. That doesn't work with contingent workers, who may only work for a company for a short period of time.

To Kevin's point, we're seeing a greater push toward segmentation where employers are considering a sort of tiered structure in terms of benefit design and delivery. Meaning, they may look at different benefits for a contingent versus noncontingent workforce. Some of our employers have two different industry focuses, for instance, they may have retail and high-tech sectors, and they have to consider different benefits with different plan designs.

All these signs point to much more voluntary or employee-paid mechanisms for the contingent workforce segment with the employer just facilitating access at more favorable rates than would be available to individuals outside a group plan.

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We need to anticipate the major impact on insurers and vendors used by these employers worldwide because, obviously, anti-selection risks will increase with a contingent workforce that spends fewer hours with any particular employer and may have multiple jobs working for various employers. How do insurers rate those risks? How do they pull them all together? It may mean they have to change the structure of the typical group plan to more of an association-style of structure.

So I can see a lot of changes for the vendors, as well as for the employers themselves when they look at how they're going to purchase coverage for the contingent workforce.

Mattaranz: In Europe, uncertain economic times have led to employers needing more flexibility to adjust production times to business cycle fluctuations. On the other hand, employees increasingly demand greater flexibility to suit their lifestyles and fulfill their responsibilities outside work. In absolute terms, since 2007, part-time employment has grown here, while full-time employment has declined. I believe this portends a trend to more flexi-work and technologies helping us to deliver the right solutions.

Birge: In Central and Eastern Europe, and especially in Africa, an informal economy and employment have always been very common, and we can see some similarity with Uber-style workforce.

Opportunities ahead

Q Coleman: What are the biggest opportunities for employers in the next three years in your regions?

A Saravi: Again, in Latin America, I think the integration of the benefit offering and technology provides a number of opportunities. Like many other markets in the world, we are seeing that health care costs continue to grow, particularly in Brazil and Mexico, and in countries with very high inflation like Argentina and Venezuela.

In Asia, the clear winner in the next few years will be connected and holistic technology that can be a single-point-of-entry tool.

In general, cost increases are driven by access to new treatments, diagnostic procedures and drugs, and the fact that people continue to push for quality care. People who can afford the better or the best quality of health care tend to prefer certain important clinics and hospitals across Latin America.

The application of big data and analytics also has the potential of providing unprecedented opportunity through access to valuable and timely information. Currently, we partner with vendors and insurance companies to analyze all available data. The data allow us to suggest corrective actions to our clients at earlier stages, particularly with large groups analyzing claims experience on a monthly or quarterly basis. It is very common for our largest clients in Brazil, and this analysis has the potential of improving financial performance and giving the client a more realistic perception of the value that employees end up assigning to employee benefit programs and, in particular, health care coverage.

Flexibility in the workplace also drives another area of opportunity for us. While not very popular in Latin America yet, eventually those practices so very common in the developed world will get to our region. So multinational clients are expected to push us to lobby regulators and to help with the infrastructure development so that they can implement these practices here.

Luah: In Asia, the clear winner in the next few years will be connected and holistic technology that can be a single-point-of-entry tool. Data analytics and translating data into actionable solutions, and cost reduction and containment solutions will become very attractive to our clients. The best chance of success will belong to technology and product innovations that cater to life-stage, life-event style benefit programs with 24/7 on-demand, self-service access to benefit services on mobile platforms.

Newman: In Great Britain, the biggest opportunity for our clients is the first one Maximo mentioned – using data and data analytics to do a strategic review of benefits.

To really take that strategic review with a view to saying, “OK, I probably don’t have any more budget to spend on benefits, but let’s just step back and question whether our current benefit strategy is right for our goals, or can we actually redesign it, trim our investment in some benefit areas where appropriate and invest more money in say, prevention and risk management? That is, invest more in areas such as screening, mental health and musculoskeletal, and consider improved treatment pathways so both the employee experience and clinical outcomes are enhanced when someone goes through illness or disability. From a health care perspective, that takes a combination of risk management, governance and improved access to treatment for employees.

Our second-biggest opportunity goes back to utilizing mobile technology to improve engagement – using a consumer-grade experience to communicate information about benefits and their value. In other words, make them simple, help people understand them, lead people to utilize benefits more than they currently do. And again, use technology to help employees make optimal decisions about flexible benefit choices that help them.

Also, I see well-being products and tools helping to drive better outcomes globally. In Great Britain, we’ve seen a lot of interest in health and well-being. In the last few years, employees have become much more educated about their own personal health. We will see these better-educated employees become more open to activity and actions to improve their health.

Stone: I see opportunities and challenges as two ways of looking at the same thing. In North America, then, as we experience a significant increase in health care cost and, in particular, cost of pharmacy services in both the U.S. and Canada (notably specialty drug cost with its higher unit cost and utilization), we need to be focused very clearly on opportunities, both from a care management and negotiation perspective.

Another opportunity will be the next-generation leveraging of analytics, which will continue to make more and more information available. We will gain the power to bring together data from different sources to look at optimal patient care and treatment protocols, and to have employers really understand their population and programs that would be most effective. Also, we have an opportunity in the technology that helps individual employees make decisions to apply it – not only when they are making their benefit program choices but when they’re accessing care.

Technology represents the most significant opportunity both at the macro-level and advanced analytics, and at the individual consumer level in terms of health improvement.

Birge: For Central and Eastern Europe, as well as the Middle East and Africa, we think that flexible benefits will be a big opportunity in the coming years. However, the benefit market is not quite ready, and flexible models have a deep impact on taxes. Right now, the most pressing issue is to address health risks and improve the well-being of employees within these regions.

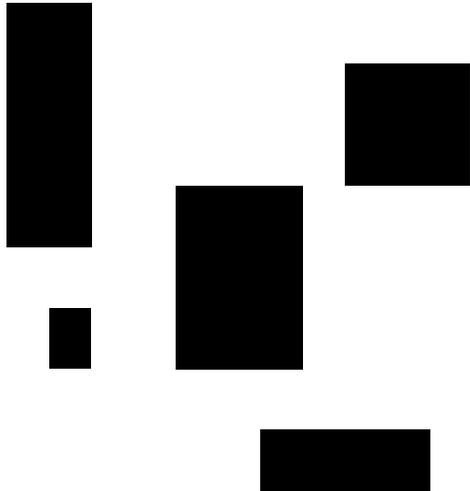
Mattaranz: In Europe, many companies still haven’t made the switch to modern HR systems. Also, technology and big data will provide and increase the access and flexibility in employee benefits. With better mobile technology, we will be able to give employees the benefits they want as well as the ability to insure online, follow up on reimbursements, modify their own personal data and store documentation. Having the opportunity to log onto a portal to access all their information will make life much easier for them, as well as for their employers.

Predictive analytics allows for better risk management decisions while pure analytics also allow recruiters to assess potential employees based on real information. With the increased interest in medical insurance and wellness in the region, there’s also the opportunity to offer flexible benefit plans, improve employee benefit governance and search for global synergies.

Coleman: I would echo that from a global view, I think all of those factors that you all have shared are definitely opportunities. Improving the employee experience and their appreciation of benefits globally is a huge opportunity for employers, and technology will unquestionably help.

In addition, moving toward design simplicity where employees are given appropriate benefit choices rather than persisting with more complex flex systems is also a big opportunity.

Finding the right balance of choice and simplicity will give both employee and employer better outcomes, allowing the move toward more of a defined contribution approach where the employee has more of an influence on what matters most to them, but not making the benefit flex system so complex that it takes too much time for the employer to administer and for the employee to understand.



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