



Maximising your employee benefits budget

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In this white paper, we look at the complete benefit life cycle and share insights from three HR leaders to help you get the most from your employee benefit spend.





Executive summary

When the future is uncertain, every element of your organisation's costs come under scrutiny, including employee benefits. Demonstrating value for money has become an increasingly important part of effective benefits management, making it essential to know how to lever budget stretching opportunities across the benefit life cycle.

With input from three HR leaders, we explore how you can maximise your benefits budget without cutting back.

Employee benefits - a tool for change

Changing workforce demographics. Political and economic uncertainty. Cost control. All these factors and more have created a challenging backdrop against which organisations' benefit packages are struggling to perform:

- 50% of enterprises think their current benefit offering fails to meet the needs of all generations
- Almost 90% believe they will need to adapt their programmes to meet the needs of future cohorts
- 97% of companies believe employees' expectations of work are changing

But it's not all doom and gloom. In fact, employee benefits have the potential to solve a wide range of organisational and employee challenges. As long as you adapt your programmes in the right way.

Deliberate programme design delivers better ROI

Unless you regularly review your benefit programmes, what was once fit for purpose may no longer be relevant. And irrelevant benefits reduce the value your total benefit package provides for the organisation and employees.

Glenn Jones, author of *Human Resources Changes the World*, is a global director level HR consultant who solves people problems for large organisations. He believes that, following a decade of low salary increases, staff have become more sceptical about companies' reasons for change: "If a new benefit is being introduced because it's going to be commercially beneficial to the company, employees will see straight through it. How you get to a place where you're ready to introduce a new benefit is important too."

Striking the right balance between employee need, wider HR plans and corporate objectives is crucial. Particularly if you want your benefit schemes to offer value for money.

Aligning benefits to organisational goals

Attraction, retention and engagement are often the main focus for any HR reward or benefits leader. But there are lots of other scenarios where benefits can also add value.

Taking time out to consider what these forces mean for your benefits programmes will pay dividends. But it's equally as important to understand what your employees want.

- Cutting or controlling costs – enhanced employee benefits can be used to offset the impact of wider cost-cutting exercises or to soften the impact of low or zero wage increases. Benefits are often a particularly useful form of leverage when negotiating in unionised environments.
- Supporting wider corporate initiatives – benefits can assist a range of organisational goals like reducing CO2 emissions, supporting employee wellbeing or making your workplace more inclusive, diverse and flexible.
- Responding to legislative and tax changes – with fewer benefits available via salary sacrifice and the removal of childcare benefit from employers, introducing new options or getting the most from your remaining package has never been more important.
- Supporting a more diverse workforce – attracting, engaging and retaining people from different backgrounds is key to enhancing your company's innovation and problem-solving capability and also your bottom line. Benefits can help you do this.





Establishing employee need

Doing what works for your business is one side of the benefits coin. But without meeting employee need you're throwing away good money, as well as time and effort.

Carolyn Tipper is Head of HR at PossAbilities, a social enterprise where every penny counts. She highlights the importance of only investing in benefits that employees actually want:

"People often pitch a great idea and get others behind it. And because that's what they want, they think everybody's going to like it. But in reality you really don't know what people actually like so you have to go and ask them."

Rich Roberts, Group HR Director at WYG agrees:

"There's only any point in offering people a benefit if they want to take advantage of it. When it comes to your existing package, take up is a good indicator of what people value and where to continue investing your budget."

While take up rates, benefit specific questionnaires and employee engagement surveys provide a high level overview, subjective feedback will help you achieve a more detailed understanding of employee need.

At PossAbility, Carolyn's team holds employee forums which enable the business to hold two-way conversations with employees. In fact, all three HR leaders we spoke to highlighted the importance of talking to employees and listening to their feedback.

Combining information from all these sources will give you a clear view of your end goal and a commercial and people centred business case.

"There will be many factors that inform how you spend your benefits budget including commercial cost savings or aligning with the green or wellbeing agenda", says Glenn. "By setting out your stall clearly at the beginning, you'll know what you're going to end up with. And you'll be able to demonstrate that you're making a change which benefits your employees for the right reasons."

Controlling cost, workload and risk for better benefits pay back

Whether your investigations reveal you need to implement a new benefit, change an existing programme or switch to a new provider, a range of practical implications need to be considered to ensure your budget is spent wisely.

Managing benefit cost

Key to making the most of your money is a complete understanding of how much each benefit costs.

As Carolyn observes:

“It’s amazing how often someone has a good idea only to find out the benefit is going to cost far more than they thought. This wastes time and energy; especially if staff are asked for their views only to be disappointed when they find out the benefit won’t go ahead because of budget.”

Wherever possible, organisations should maximise their budget via salary sacrifice arrangements. This might sound obvious, but there are plenty of employers (around 40%) who fail to take advantage of HMRC tax breaks.

By offering permitted benefits via salary sacrifice, your organisation will benefit from employer National Insurance contribution (NIC) savings and you’ll help your staff stretch their salary further too.

Another way to extend your budget is to expand the reach of any benefits you already have in place that are reserved for senior employees. The main example is company cars as they still deliver excellent salary sacrifice savings, particularly ultra low emission vehicles.

You already have the processes, systems and communications in place so rolling this benefit out to other employees creates additional benefit for little extra cost or effort.



“What’s important in a subject matter expert in the vendor space is how future focussed they are. It’s not only managing risk around such things as contractual mechanisms, but it’s also being aware of the changing statutory landscape. I’m expecting them to bring that additional expertise to the table which we might not have because we’re not inhabiting that zone.”

Glenn Jones, Consultant Global HR Director

You might need to make some minor adjustments to open up your existing scheme but your supplier should make the transition simple.

Selecting the right provider

Your benefit provider can make or break your scheme so choosing wisely is at the heart of generating a good return on investment.

Seek providers whose organisation is built to provide employee benefits first and foremost – they’ll provide a far better service than those who offer employee benefits as a bolt-on. This is particularly important for salary sacrifice benefits as you won’t have to reinvent the wheel, saving you time and money.

For public sector bodies, look out for suppliers who regularly work with civic organisations as they will have existing framework agreements. This will enable you to access cost-effective employee benefits while saving time and money and reducing risk.

Delivering benefits without extra headcount

If you decide to add more benefits or expand scheme eligibility, take up is likely to increase, resulting in additional administrative load like:

- Providing data for new systems
- Managing new hires and leavers to ensure your organisation does not overpay
- Measuring take up to demonstrate engagement
- Communicating your new scheme
- Calculating tax as soon as an employee’s benefit goes live



Smart organisations look for benefit providers who will take on much of this work with dedicated teams, fit for purpose systems and ongoing account management support. This will prevent you from having to create additional roles or add significant workload to existing teams.

Managing physical benefit risk

Despite the obvious advantages of providing a rounded benefits package, some businesses have concerns about managing benefit risk for physical items like cars and bikes. Leaders rightly ask, “what if someone leaves or is dismissed? What’s the risk to the business?”

For bikes the solution is simple: ensure your contracts allow you to deduct outstanding amounts from employees’ final payroll. With cars, look for a provider with early termination protections that cover events like lifestyle changes, redundancy or resignation and maternity, paternity or adoption leave.

By setting up the right scheme with the right contractual protections, you can mitigate risk and ensure your benefits budget is spent where it’s most needed.

“I look for providers who understand the risks we will be facing and who can help us manage those risks. I want a complete service with tools and methodologies around managing risk, helping with communications, take up and engagement.”

Rich Roberts, Group HR Director, WYG

Employee engagement is everything

Your new benefit only has one chance to make a good first impression so a flawless launch is vital.

Perfect benefit launches rely on the right team including people from HR, reward, payroll, finance, communications and, if relevant, IT and compliance. The top benefit providers may also be involved in your launch process supporting you on communications, compliance, technical and legal challenges. Getting everyone's input from the beginning will ensure your scheme is well thought through and that it launches without a hitch.

Delivering a consumer grade experience

In the digital age, technology is a core part of any benefit offering so getting this right is also important.

Outside work, employees are used to picking up a device of their choice and receiving a high quality online experience. Websites look slick and they work intuitively. Branding is on point, the messaging is clear and it's easy to take action.

If your benefits systems don't match this experience, as Glenn notes, employees will fail to engage: "Everything's got to be done through the lens of customer experience. Whatever you roll out, whether it be new operational technology or a benefits platform, you need to ask, 'what is the customer experience?'"

Although there are lots of tech savvy millennials and generation Z, there are still a large number of people in the workplace that aren't. By providing an experience that works for all, you'll engage extra employees and get much more for your budget.



Communicating the benefit

Communication has an enormous influence on employees' awareness of and engagement with benefits. Yet communication is an area in which organisations often fail to deliver.

Carolyn found the solution by working with her benefit provider who had a wealth of communications ideas and tools to support engagement:

"A year after implementing our employee discount scheme we only had around 10% uptake. So we got our provider in to explore the experiences of those people." This informed a big engagement event that created excitement around the benefit. "Over the space of a year we've moved up to around 80% participation for exactly the same spend."

To stretch your benefits budget further, ask your provider to work with your internal comms team to weave your benefits messaging into wider communications plans (your provider may even have a budget for special offers or competitions).

Measuring programme impact

One of the most important aspects of maximising your benefit budget is to measure the impact your schemes are having. This means coming full circle and seeking employee feedback as well as measuring achievement against organisational objectives.

Capture hard data

By being clear about your objectives at the outset, you'll be able to set relevant KPIs to determine whether your investment is paying off. These could include:

- Benefit take up rates
- Impact on employee engagement via surveys, questionnaires and forums
- Impact on attraction and retention figures
- Employee satisfaction with your overall offering
- Ease of recruitment and feedback when hiring
- Exit interview responses
- Reductions in emissions
- Cost control and employer NIC savings



Subjective feedback is also important

While hard measures around take up are certainly indicative of employee benefit preference, drilling down to the granular details through conversation can often be more revealing.

This makes feedback and anecdotal evidence as important as hard stats. As Rich recognises: “At exit interviews we ask broad questions around benefits. But we also find that when we talk to candidates at recruitment stage, they respond very positively to the breadth of benefits we offer.”

And Rich thinks that recognising the unseen value that your employees place on certain benefits is also important:

“Although you want to make sure the benefits you offer are being used and valued, if you only look at it from a take up perspective, you might find that only 5% of your employees are using that benefit.”

This could lead you to get rid of that benefit and do something else. But, like Rich notes: “For those 5%, that could be the thing that keeps them where they are. And if you take that benefit away, it could really undermine their motivation, discretionary effort or willingness to stay.”

A combination of hard and soft feedback will give you a complete view of your benefit programme’s impact placing you in a strong position to adjust and improve. Or, should you be required, to evidence your reasons for continuing to offer or change certain benefits.

In conclusion

The clue to maximising your benefit budget is in the word 'benefit': whatever you decide to offer your staff, it needs to be valuable. Only by understanding what this means – for your organisation and employees – and providing and managing your benefits in an engaging way will you maximise your benefit spend.

Glenn sums the situation up nicely: “A successful benefit scheme relies on having your finger on the pulse so you know what’s going on externally in the benefit market and what benefit providers are doing. But it also needs to be employee centred and aligned to your overall company strategy and your people strategy too.”





A loved benefit

97% of our drivers would recommend the scheme to their colleagues!

With thanks to

Glenn Jones, HR Consultant & author of "*Human Resources Changes the World*"
Carolyn Tipper, Head of HR at PossAbilities
Rich Roberts, Global HR Director at WYG

Let's talk

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