

# Addressing the challenges of the 4G workforce



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## Introduction

Employers are currently facing a unique set of challenges: Brexit along with fragile economic recovery means many companies still face increased competition for corporate budgets between different departments.

The challenge of recruiting, retaining, managing and engaging a diverse workforce while remaining cost effective has changed now that the era of one-size-fits-all benefits is over. Employers are now tasked with offering a wide range of benefits to appeal to employees at varying stages of their lives and who have different motivations at work.

Flexible benefits offer a solution to these challenges. A wide range of options can be presented, appealing to distinct age groups, whilst various payment models suit both employers seeking minimal financial contributions, and those able to invest a larger amount on their benefit offering.

Flexible benefits give employees more control - they are able to choose and modify the combination of benefits that they are receiving when their personal circumstances change. In turn, this leads to greater engagement at work, and increasing motivation and retention.

Employers can invest as little or as much as they want in flexible benefits, depending on their budget. Including benefits in their employment offering can help raise their profile as an employer of choice to potential recruits. So it comes as little surprise that the popularity of flexible benefits is growing with both employers and employees.

### What this white paper covers:

- The current make-up of the multigenerational workforce and their differing needs
- What challenges employers face when offering flexible benefits to recruit, retain, motivate and engage employees
- **How reward professionals can use flexible benefits to meet these challenges and achieve strategic HR goals whilst remaining cost effective**
- Practical suggestions for communication plans to ensure maximum take up by employees



The new reality of the multigenerational workforce means there are four generations at work at the same time, ranging from the age of 16 to over 65 years-old.



# The changing workforce

2012 saw just over 9% of people aged over 65 in the UK still working. 2017 is set to see this figure rise to more than 11% and by 2027, this is forecasted to rise to 15%.<sup>1</sup>

The UK workforce is unrecognisable from a decade ago. Individuals approaching their 65th birthday would typically have been preparing for retirement, or already retired. Now, they represent a significant proportion of the workforce and must be recruited, trained, engaged and rewarded just like any of the other three generations comprising the workforce.

The number of 50 to 60 year-olds in the workplace is growing too, from just over 62% in 2002 to more than 66% in 2012. And this figure is predicted to continue increasing, with a third of workers expected to be over 50 by 2020.<sup>3</sup>

Yet proportions of the youngest generation in the UK workforce are not growing in the same way. More than 55% of 16 to 24 year-olds were employed in 2002, falling to just under 52% in 2012 and predicted to stabilise at 45% from 2017.<sup>4</sup>

The vast majority of 25 to 49 year-olds – almost 81% – were in paid jobs in 2012. This is expected to remain relatively stable over the next decade.<sup>5</sup>

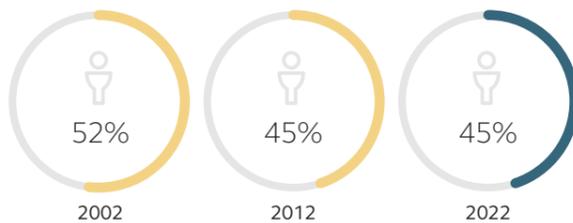
These figures reflect two major population changes. We are living longer – nearly a quarter of the population will be aged 65 or over by 2030.<sup>6</sup> And the birth rate has dropped. The number of live births in England and Wales fell by 0.5% between 2013 and 2014, continuing a long-term trend.<sup>7</sup>



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The number of 14 to 24 year-olds in the workplace is falling and predicted to stabilise at 45% from 2017.



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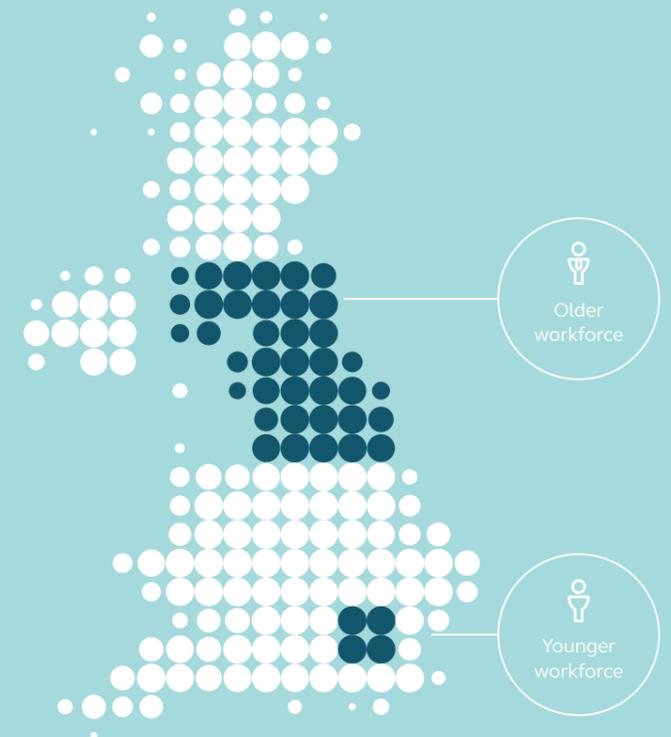
The number of babies born in England and Wales fell by 0.5% between 2013 and 2014.

These figures also highlight some of the economic and social changes in the UK.

Working later in life has become a financial necessity for many as a result of the final salary pension demise, underperforming pension funds and an increase in the state pension age.

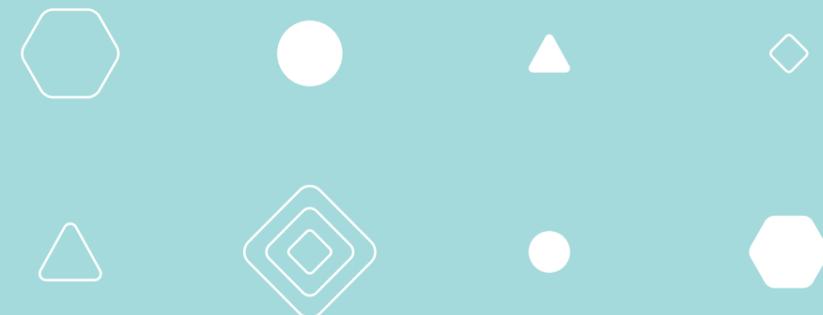
Today, there are more women in the workplace, around 67% in 2015, compared to just 53% in 1971.<sup>8</sup> Almost 850,000 16 to 24 year-olds were classed as not being in education, employment or training (NEETs)<sup>9</sup> in 2013/14, representing the particular challenge faced by the younger generation to find and hold on to a job in the current employment marketplace.

In addition, these patterns of different generations vary according to UK regions. Individuals don't tend to retire in London, so many employers based in the capital may find their workforces weighted towards younger generations. For employers based in northern England however, it's not unusual for more than half of their workers to be aged over 45.



It's a complicated picture. The multigenerational workforce that statisticians and demographic experts have long predicted – and the specific pressures that each generation faces – is now a reality that employers must get to grips with.

Benefit packages have always been important for employers to recruit, motivate, engage and retain employees of all ages. Now – in an era of corporate cost control and the ongoing war for talent, employers' benefit offerings will be crucial in engaging the diverse elements of their workforce and helping them to use HR strategies to achieve corporate objectives.



# The advantages of flexible benefits

For many employers, flexible benefits are now a key part of their employee offering. More than half (51%) of corporations previously surveyed by Simplyhealth offer all their benefits flexibly and 39% offer some flexibly.<sup>10</sup>

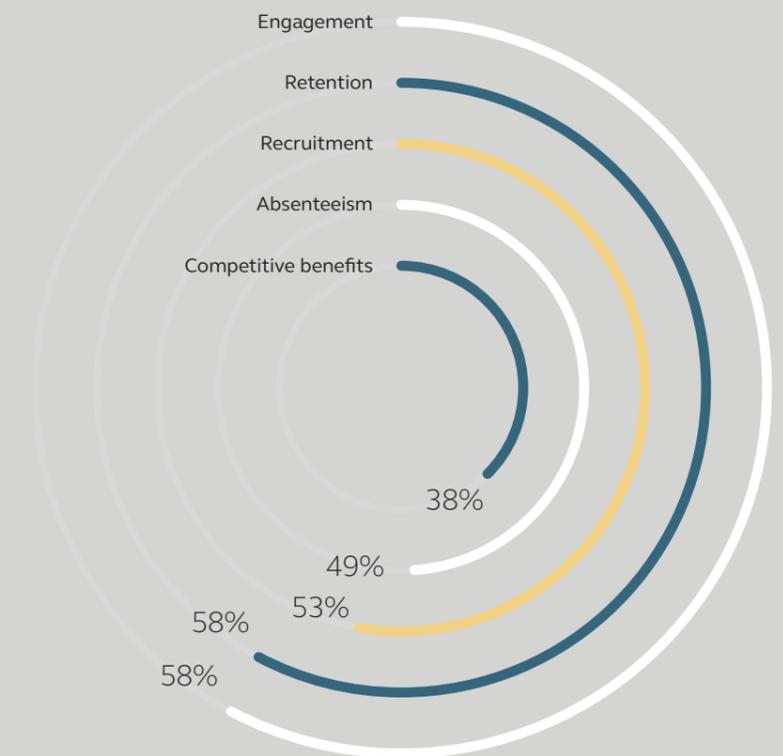
Employees were surveyed too, and the vast majority of them (91%) want to be offered benefits which meet the specific needs of both their stage in life and their particular lifestyle.<sup>11</sup>

The ability for employees to own their benefits package should not be underestimated by employers. 45% of employees who do not have flexible benefits rate their package “poor” or “very poor” and 33% say it is ‘average’.<sup>12</sup>

Having a range of benefits with relevance to every age group from which employees can choose is essential.

Offering a variety of benefits can have a positive impact on employee engagement. Research<sup>13</sup> has shown that the majority of employers (58%) believe the main objective of offering flexible benefits is to engage employees.<sup>14</sup>

Other reasons to offer this type of benefits package include retaining employees (58%), recruitment (53%), reducing absenteeism (49%) and as a way to demonstrate a competitive benefits offering (38%).<sup>15</sup>



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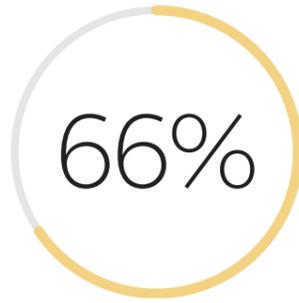
91% want to be offered benefits which meet the specific needs of both their stage in life and their particular lifestyle.<sup>11</sup>



More than half (51%) of corporations surveyed by Simplyhealth in July 2015 offer flexible benefits.<sup>10</sup>



82% of jobseekers would turn down a position if it lacked an attractive benefits package.<sup>17</sup>



66% of employees would be more inclined to stay with an employer if they provided good benefits.<sup>18</sup>

Around 27% of employers use a fully outsourced flexible benefits package because it offers them peace of mind, and 26% say there is a proven return on investment.<sup>16</sup>

With such a range of age groups existing in the workplace, their diverse needs will need to be met by flexible benefits in order to recruit, engage and retain. This is more likely to promise a return on investment than companies' providing a blanket offering of benefits with little understanding of their take-up.

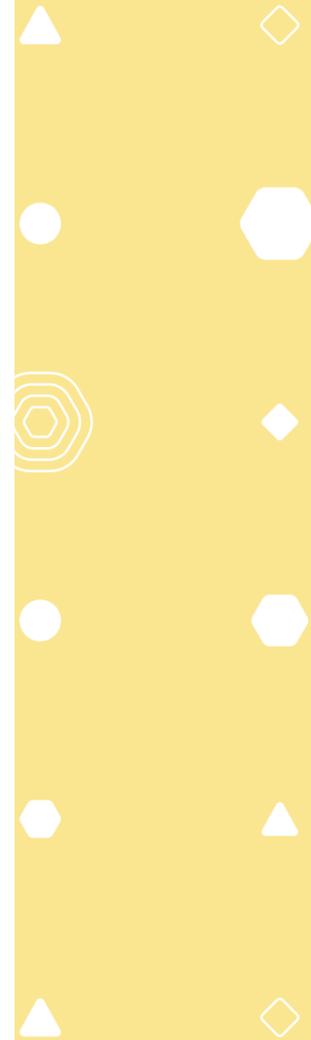


27% of employers fully outsource flexible benefits packages.<sup>16</sup>

Employers must look to adopt strategic approaches to recruitment, retention and engagement which use flexible benefits to recognise their multigenerational workforce within their reward strategy.

Shifting demographics in different regions of the UK have resulted in some sectors suffering talent shortages caused by significant proportions of the workforce approaching retirement or working fewer days.

In addition, companies which avoided recruiting younger employees during the recession are starting to hire again. Across all age groups, 86% of employers say they would take on more permanent staff in 2016<sup>19</sup>; offering benefits that are flexible and adaptable to meet their disparate and constantly changing needs will be vital.



# Political and social challenges

Flexible benefits typically offer a cost-effective solution for employers at a time when they are cautious of investment due to the uncertainty of Brexit. They also offer the flexibility for employees to pick and choose extra benefits to sit alongside the core benefits available to the company's entire workforce.

The option for employees to select their own flexible benefits means they can customise their benefits package to suit their lifestyle. For example, gym membership and shopping discounts may appeal to the younger section of the workforce while flexitime is desired by older generations in the workforce. The traditional blanket offering of costly benefits is a thing of the past.

However, understanding the possible impact of flexible benefits from the wider political and social context will be vital for reward managers. The current government's desire for full employment, combined with ongoing deficit cuts affecting healthcare, benefits and education and a degree of economic uncertainty of ongoing Brexit negotiations, could signal change over the coming year/s.

UK businesses have signalled their intentions to increase their spending, with 95% of manufacturers planning to invest in order to boost productivity, buying equipment and technology.<sup>20</sup> HR budgets that have over the last eight years had some room for movement while pay increases have been limited, could face the squeeze as other departments fight for larger budgets to manage new business.



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Flexible benefits allow employees to choose what they need depending on what stage of their lives they are at.

Annual salaries are expected to continue rising after a 2.9% increase was seen in May to July 2015, the fastest pace of wage growth since November 2008 to January 2009.<sup>21</sup> The cumulative effect of this is that budgets for benefits get reduced as the budget for salary settlements increases, having already been squeezed following the introduction of auto-enrolment pensions in 2012. Even though the economy is tentatively recovering, the situation is tougher for flexible benefits and reward professionals - HR departments must be seen to demonstrate the genuine value of such benefits to the business.

Of those companies that reject flexible employee benefits (38%), 40% say it is due to no demand from employees, 30% say flexible benefits are time-consuming and expensive to set up and the same proportion say there is too much administration.<sup>22</sup> One issue here is the finding that employees typically spend just seven minutes looking at their flexible benefits platform.<sup>23</sup>

Complicated technology combined with a lack of explanation to employees of the specific level of value offered by flexible benefits could explain the low levels of take up in some organisations.

Consequently, it will be crucial for reward professionals to address not just what kinds of benefits their employees want, but also to ensure that they are communicated and delivered to them in the most effective way.



Employees typically spend just seven minutes looking at their flexible benefits platform.<sup>23</sup>



It is crucial to ensure that employees are communicated too in effective ways.

# Popular employee benefits

When it comes to the benefits themselves, employers and employees tend to be in broad agreement about which have the largest appeal. In addition, the types of benefits wanted by workforces typically don't differ a great deal from sector to sector or from large to small-sized organisations.<sup>24</sup>

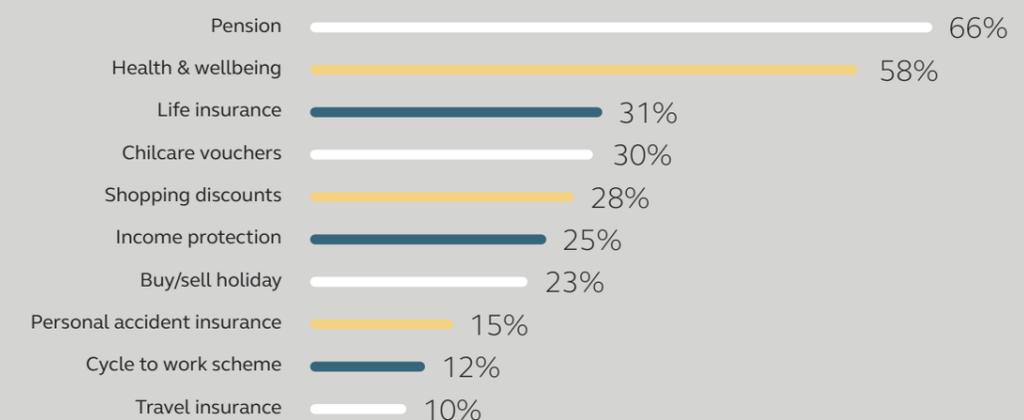


Compulsory pensions are among the top three benefits for 66% of employees, and auto-enrolment into pensions schemes has proven popular, with 5.2 million UK workers enrolled in pensions schemes in March 2015, three years after the Pensions Act came into force in 2012.<sup>25</sup>

Life insurance (31%), childcare vouchers (30%) and shopping discounts (28%) are popular to roughly the same proportion of employees, followed by income protection insurance (25%) the ability to buy and sell holidays (23%). Some employees also want personal accident insurance (15%), cycle to work schemes (12%) and travel insurance (10%).

The second most popular benefit is health and wellbeing, which is within the top three benefits for 58% of employees. Splitting this category down further, private medical insurance (PMI) is in the top three most popular benefits for 60% of employees, followed by dental insurance (41%), cash plans (38%), private GP, employee assistance providers, physiotherapy, optical insurance, counselling and weight management.

More niche benefits in the health and wellbeing category that are desired by corporates and employees are stop smoking initiatives, private prescriptions, telemedicine and chiropody. Nevertheless, there is a growing move away from private medical insurance, towards cash plans and dental plans. Cash plans delivered via a flexible benefits package are set to increase by 54% in 2016.<sup>26</sup> The escalating cost of PMI, often difficult to control, is prohibitive for employers, who are beginning to consider new varieties of health plans.



# Management information and best practice platforms

Understanding the costs of benefits means the management information reporting available is absolutely critical for reward managers to prove to their employer that flexible benefits are worth having.

HR professionals need to be able to establish the level of return a company has received on their investment in flexible benefits. For example, measuring the level of employee engagement with different benefits and establishing how much they value flexible benefits can directly contribute to strategic HR goals, such as reducing absenteeism. This insight will also feed discussions with intermediaries and providers about their flexible benefits platform.

And those who do not yet have flexible benefits have heightened concerns in this area, with 48% citing the technological issue as a worry and 38% concerned about set up and ongoing administration.

Budgets for benefits have already been squeezed following the introduction of auto-enrolment in 2012, so it's not surprising they are the source of most concern for rewards professionals.

As a result, the most valued systems will be those in which companies can get all the information they need on a particular benefit simply by logging on. Management information must be timely and easy to access, as must the benefits themselves. The last thing a member of the HR team wants is to act as an agent for the benefit – having to take calls from employees and dealing with issues.



For 33% of organisations which embrace flexible benefits, the technological platform they choose is the greatest hurdle for them, closely followed by set up and ongoing administration.<sup>27</sup>



Securing a budget for benefits is the greatest hurdle for 39% of those organisations which already have flexible benefits and a concern for 55% of companies without flexible benefits.<sup>28</sup>

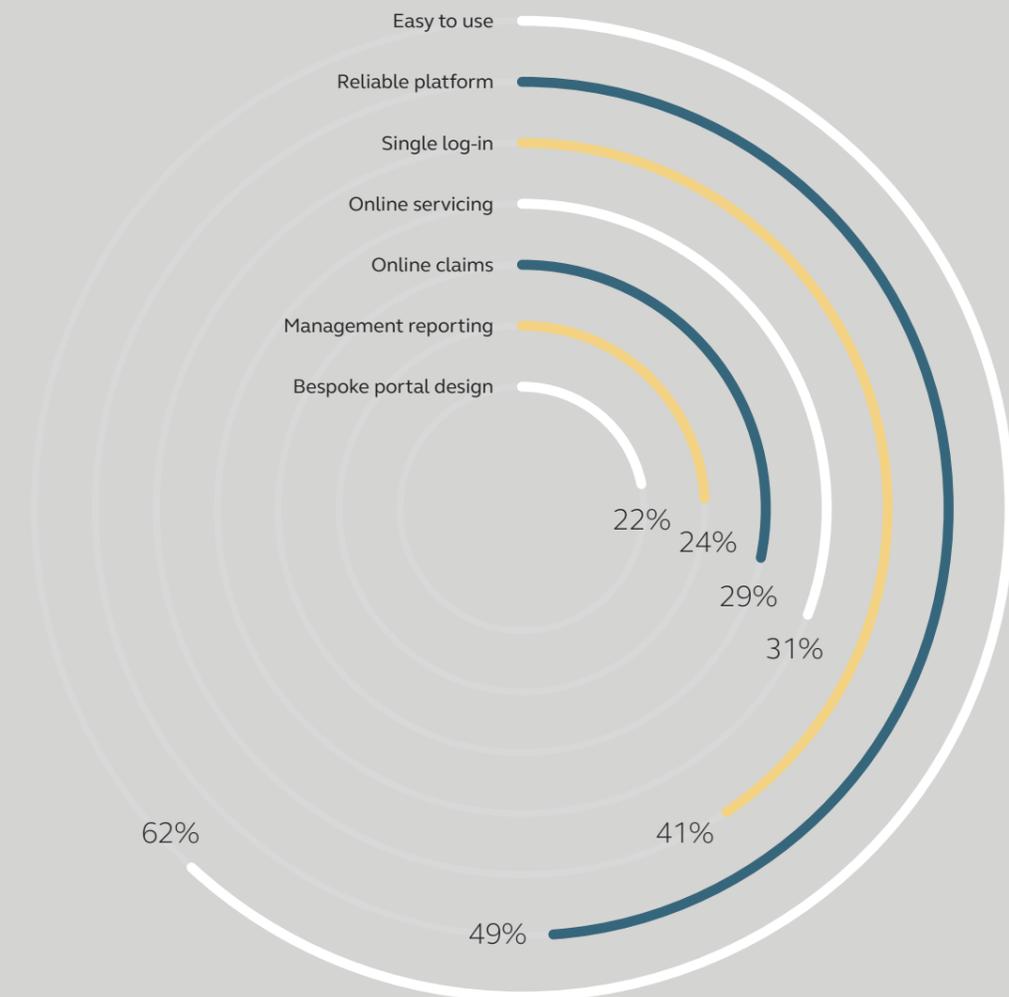


As a result, the nature of the flexible benefits platform is of critical concern; this has traditionally been an issue for large organisations with benefit platforms varying in price. Lower cost options are now available meaning medium sized and even some smaller companies are beginning to look for solutions on which they can host a range of company-funded, part company-funded and employee-funded benefits.

As well as this, benefits platforms and benefits themselves that enable employees to opt in and out at different points of the year are important.

For example, how many employees will take up cycle to work schemes if they are only offered once a year, in the middle of winter?

Research by Simplyhealth says that a benefit platform which is easy to use is top priority for 62% of employers, followed by a reliable platform (49%), a single log-in for employees (41%) and online servicing and managing (31%).<sup>29</sup> In addition, online claims (29%), management information and reporting (24%) and bespoke portal design (22%) are all important to employers.



# Insights to inform your programme

As the custodians of benefits in organisations, reward managers, often responsible for the benefits provided by organisations, are expected to have an in-depth and up-to-date market knowledge of flexible benefits and platforms that will best suit their organisations. They must know the current tax efficiencies and potential forthcoming changes, as well as their financial implications.

There is now a wide range of freely available and paid for sources of content on flexible benefits and platforms available on the market which can be tapped into. Intermediaries can also provide up-to-date information specifically tailored to different sectors and sizes of organisation.

But it's not just the external market they need to be on top of.

Reward managers must have a full understanding of their employee demographics and their circumstances in order to offer a suitable range of flexible benefits for the organisation's employee base.

This will ensure a harmonious workforce in which every employee feels there is something in it for them, and that their needs are being met by their employer.

For example, HR departments often do not know how many people they have in their organisation who care for elderly or disabled relatives, which could become a growing concern as the workforce gets older and people live longer. The consequences of this are that the specific demands on employees outside of work are not understood by their employers, which means they can underestimate their workforces' needs and wants - therefore potentially missing out on providing the most relevant flexible benefits.

In addition, benefits that may only be relevant to one section of the workforce (for example childcare vouchers) may be communicated en masse, turning off employees who do not have young children to care for.

This can lead employees to conclude that none of the benefits offered by their employer are relevant to them.

Having this knowledge about the workforce will enable employers to use their flexible benefits package to effectively recruit, retain, engage and motivate all sections of their workforce.

It will also help boost take-up of benefits and improve communication methods.

#### What rewards managers need:

- Thorough knowledge of the flexible benefits market, technology platforms and tax implications
- Full understanding of their workforce demographics
- A plan to communicate flexible benefits to employees, including the all-important 'second sell'
- Effective methods to get feedback from employees in order to measure flexible benefits take-up
- Understanding of the return on investment of benefits to communicate to HR and finance



# The importance of communication

Engagement and communication with the workforce to maximise uptake of benefits can come in a number of different and innovative forms. It may involve developing different ways of promoting benefits, including branded health and wellness programmes which promote particular benefits, workshops on dementia run by charities for employees caring for an elderly relative, downloadable information for managing stress, or competitions to win a juicer, which ties into a health plan.

In addition, using imaginative ways to communicate with employees can boost take-up and ensure the all-important 'second sell' of benefits, something that is often missed by rewards professionals.

Selecting a benefit for the workforce and then communicating it once to employees won't work; it is the second sell that typically leads to actual uptake.

Communication should not just be about selling a benefit, however feedback from employees and measurement of the take-up is crucial in demonstrating to HR departments and the company's leadership the value of flexible benefits.

Benefits platforms increasingly offer simple ways to track return on investment and take-up of benefits. But other methods of communication can add extra nuance.

Irregular use of a benefit does not mean that it is not valued. An online GP may be highly valued by employees, but due to the nature of the benefit, it may show low usage because people only use it when they need to.



A low take-up suggested by figures does not necessarily equal low popularity. Methods such as focus groups and steering committees can enable employees to feed back this kind of information, as well as suggest new benefits, all of which can link into the business' strategic objectives in relation to recruitment, retention and employee engagement.

This knowledge must be used to sell flexible benefits not just to employees, but to the two other important stakeholders of employee benefits: the leadership of the company, which needs to see that flexible benefits offer a return on their investment when it comes to the organisation's strategic HR goals, and the HR department, which needs user-friendly benefits and systems, and the support and guidance to use them, which will help them to meet their own strategic HR goals.

Flexible benefits are an ideal solution to the challenges posed by the multigenerational workforce and the adapting and changing corporate world.



**Benefits platforms increasingly offer simple ways to track return on investment and take-up of benefits.**

## About Simplyhealth

Simplyhealth helps thousands of organisations to support the health and wellbeing of their employees.

Our corporate health cash plan and dental plans can be tailored around your business needs to provide value for both employer and employee.

**All our plans come with an online health and wellbeing portal 'Mywellbeing' that provides:**

-  Access to GP services
-  24/7 advice and counselling
-  Expert health information
-  Lifestyle benefits and discounts
-  Health evaluation tools

Because we only focus on everyday health you can rely on our specialist knowledge and expertise, ensuring we deliver wellbeing strategies that help our clients make the most of life.

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