

February 2015

# GLOBAL BENEFITS



# Keeping it together

Effective alignment of global benefits with business strategy enables organisations to avoid a fragmented structure, as well as to reduce costs and administration, says **Nic Paton**



Expanding into foreign markets and carrying out cross-border mergers and acquisitions hold obvious appeal for ambitious business leaders wanting to take advantage of emerging economies and untapped markets. International expansion, however, can create a range of challenges when it comes to benefits and reward.

Organisations can end up with a piecemeal, inconsistent or fragmented benefits structure that fails to satisfy not just at a local level, but also in terms of the organisation's global business objectives.

Chris Metz, client development director at employee benefit brokerage and consulting firm Willis Employee Benefits, says: "What often happens is an organisation puts time and effort into acquiring a company, making it profitable and co-ordinating operations globally. But benefits get overlooked, despite the fact these can be really important in terms of keeping people on side locally."

## IF YOU READ NOTHING ELSE, READ THIS . . .

- **Aligning an international benefits strategy with global business objectives can improve efficiency and administration and bring economies of scale.**
- **Carrying out regular country-by-country audits is a good idea, but many employers fail to do so.**
- **It may be helpful to bring in a consultancy with international experience.**

James Spencer, international benefits manager at employee benefits consultancy Jelf Group, adds: "Doing [benefits] on a country-by-country basis is not only quite clunky, but it potentially leaves employees with the same job roles and packages on different benefits just because of what that HR or country manager has decided."

### Effective alignment of benefits

These problems can be eased by the effective alignment of benefits, which in addition to streamlining reward and achieving greater consistency can also reduce costs and administration. "Rather than having, say, five or six medical insurers in five or six countries, [employers] might be able to reduce this to three covering multiple territories," explains Spencer. "That is likely to give economies of scale, reduce invoicing and administration and mean less relationship management."

For organisations wanting to align international benefits, a country-by-country review or audit is a good place to start. However, according to research by Jelf, published in May 2014, 42% have either

never reviewed benefits or had only done so more than a year previously. This was despite the fact that 93% felt it would be extremely useful to have access to regular country-by-country or region-specific updates around benefits changes, risks or issues they needed to be responding to.

According to Metz, a country-by-country audit seeks to establish: what benefits are in place; what the social security or administrative norms are; and what the state already provides. "Are there specific union or collective bargaining practices? How [is the organisation] benchmarking against [its] peers?" says Metz.

"Then it's a question of looking to see whether things can be done more efficiently; whether [the employer] is getting the economies of scale it could be; and whether there are gaps or overlaps in the sort of cover or benefits they're offering."

Employers also need to consider to what extent their benefits package reflects the needs of the business and the challenges it faces. Metz says: "[They] need to be thinking about what employee risks they're facing as an employer – whether that's, say, attracting ▶



**What often happens is an organisation puts time and effort into acquiring a company, but benefits get overlooked**

Chris Metz, Willis Employee Benefits

### CASE STUDY

## Aker benchmarks benefits globally

With 17,000 employees across 20 countries, aligning benefits globally to business objectives has long been a priority for Aker Solutions, a provider of products and services to the oil and gas industry.

The employer benchmarks its benefits on a global basis to better understand what the market norms are in each of the countries in which it operates.

Philip Hutchinson, head of reward, says it is all about combining a global philosophy with local principles; combining a strategic approach with pragmatic delivery on the ground.

"For example, we say each country should have some form of retirement provision, but we do not go down to say whether that needs to be a pension scheme or some other provision," he explains. "It is about making this global, but on the understanding it must have some flexibility built in for local delivery.

"Each country has its own statutory requirements, tax laws and so on. So in the UK we provide a pension scheme, but in India, say, they provide what is called a provident fund, which is similar to a pension, but sponsored



by the state and much wider than a pension scheme."

One of the challenges the oil and gas industry faces from an employment perspective is that it has an ageing workforce. To that end, the employer recognises that benefits priorities for older workers are significantly different from younger graduates.

For young graduates, the focus is around incentives such as help with financial planning, lifestyle benefits and assistance with career development.

### KEY STATISTICS

**37%**

of employers offer benefits to employees based outside the UK.

Source: The Benefits Research 2014, Employee Benefits, March 2014.

**13%**

offer benefits to local employees only, but manage their benefits strategy centrally.

Source: The Benefits Research 2014, Employee Benefits, March 2014.

**Top 3**

benefits offered to staff outside the UK are private medical insurance (83%), pension (76%) and life insurance (64%).

Source: The Benefits Research 2014, Employee Benefits, March 2014.

or retaining people, absence, wellbeing or presenteeism." Other factors employers may have to consider are: the risk of losing key talent; working with an overseas subsidiary; or integrating an acquisition.

Jeremy Hill, director within the international consulting group at Towers Watson, says: "It is about retention and attraction, but also about aligning with thinking about what risks [the organisation] faces, whether reputational, governance or operational. Employers should think about benefits carefully within the total reward picture; [and not] think about them in isolation."

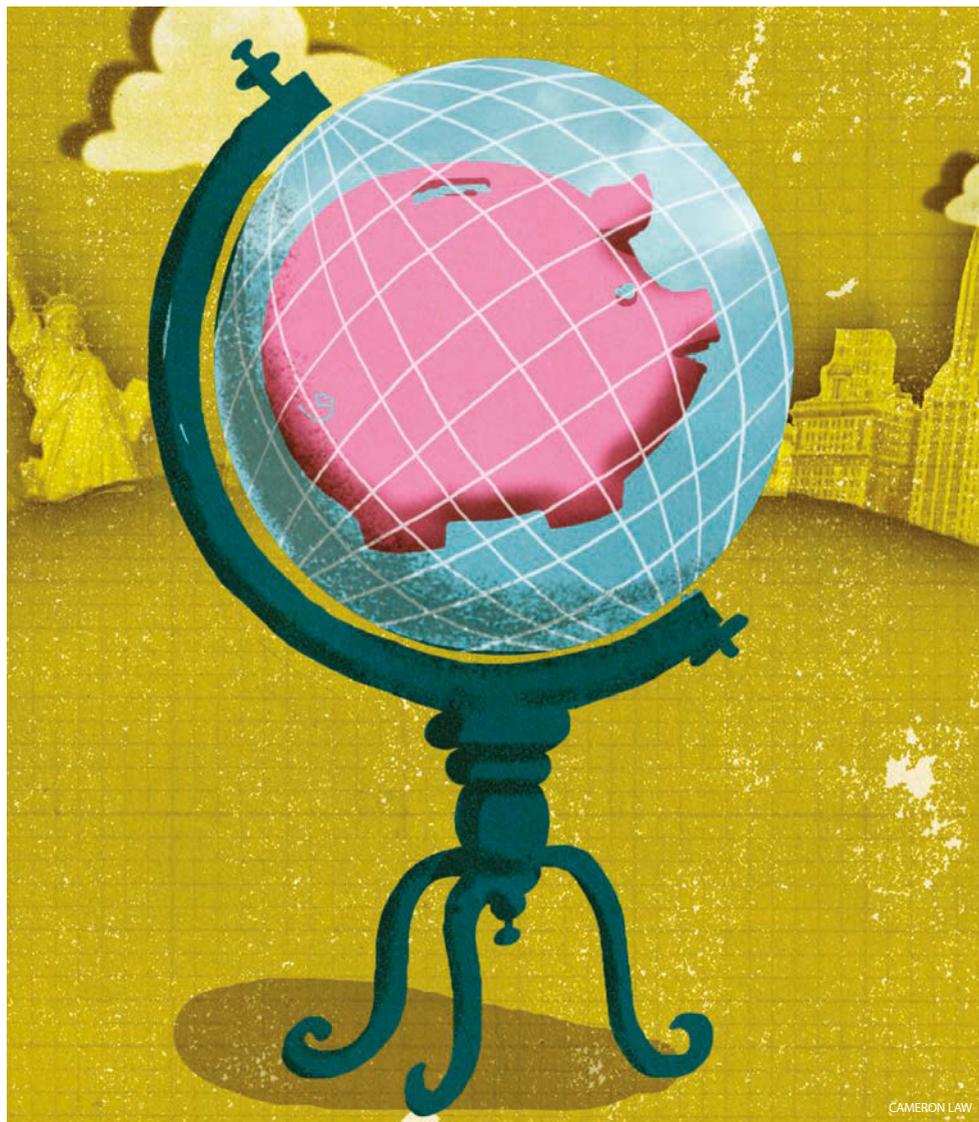
It is often valuable for employers to start from the centre with an over-arching strategy and then look at how they can apply that at a local level. It is also important to recognise that alignment in this context does not necessarily mean offering the same benefits in every country. "It is about ensuring they are managing their benefits more efficiently, auditing more frequently and having a long-term strategy that everyone agrees on," says Spencer.

### Captive companies

Metz points to a growing trend towards the use of captive insurance companies, or those owned by the company and often domiciled offshore.

The advantages of such arrangements include cost savings, spreading risk, tax efficiencies and increased flexibility. "[Employers] can have the captive insurance company effectively write the policy," he says. "We are increasingly seeing this being used as another way globally to harmonise benefits."

A clear understanding of the sort of governance and oversight processes that will be needed will also be valuable, as will be thinking about what technology and systems will help keep track of reward and benefits in each country.



CAMERON LAW

Jill Neilson, managing director, international consulting and strategy at Buck Consultants at Xerox, says: "It is not just understanding what the local issues are [such as] statutory requirements, local market practices, what's going to make [organisations] competitive within that market and so on; it is how they

maintain any type of record and how they renew and update programmes."

International expansion can be hugely rewarding, especially for organisations that motivate diverse global workforces with benefits that are fair, country appropriate and linked to wider business objectives ■



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# Employers must prepare for workforce revolution

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Organisations that embrace new technologies and adopt new working practices will maximise their chances of success in the battle for talent, says **Stewart Allanson**

New technologies and increasing mobility are revolutionising the workplace, with huge implications for employers.

Not since the industrial revolution of the late 18th and early 19th century has there been such far-reaching change and now, just as then, there is tremendous opportunity mixed with unprecedented risk.

Smartphones and devices are the biggest driver of change in society and at work because of the way they connect employees in real time. The millennials, aged 18–29, have grown up with this technology and so it has become an integral part of their daily lives.

Older employees have also seen great change, as mobile devices connect them to the workplace at night, at weekends and while sitting by the pool on holiday.

The way in which the line between business and pleasure is blurring is advantageous for employers, because it serves to boost workplace engagement, but the quid pro quo for employees must surely be more flexible working, including working from home.

## Hidden risks

There are, however, hidden risks of real-time communication. At a recent event that we hosted on managing risk in the changing world, the audience was asked: 'What is the most significant implication for your business, over the next five years, of the trend towards an 'always-on' mobile workforce?' Half cited employee health, wellbeing and security.

A failure by staff to understand where to draw the line between their work and home lives could, for example, negatively affect their family life and increase stress levels, in turn leading to long-term illness and increased health insurance costs for employers.

But 35% of the audience said that managing and measuring employee productivity and engagement was the most significant risk.

This is interesting in light of recent studies that have found that productivity is higher for employees who work from home. For example, one Chinese travel agency reported a 13% increase in productivity during a nine-month experiment with home-based working. The gains inspired the agency to let all employees choose whether to work from home, an option that was taken up by more than half of employees, resulting in productivity rising by 22%.

An increasing number of employers realise the benefits of flexible working, such as talent attraction and retention, and are evolving their benefits packages to optimise its effectiveness. For example, many employers are adopting a bring-your-own-device policy to offer employees the opportunity to buy technological devices, such as laptops, through work.

This raises major security risks for employers' business networks, not to mention potential legal wrangles over employee data management, both business and personal, that sits on employees' devices.

But it is an issue that employers will need to address, possibly on a global scale where expatriate staff are involved, in light of the importance millennials place on technology.



Employers that take a holistic approach to this workforce revolution that considers key employee and business risks, such as global mobility, the challenges of keeping up with technology, cyber security and employee satisfaction, plus the interconnectivity of all of these issues, will maximise their chances of success in the battle for talent. This will be more so the case for employers that also embrace new technologies and adopt new working practices.



**Stewart Allanson**

is international corporate distribution manager at Zurich Corporate Life and Pensions



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# Disaster support

Employers should make sure they have built an effective global crisis management strategy, says **Sam Barrett**



Incidents such as the Charlie Hebdo shootings, the outbreak of Ebola and the MH17 Malaysian Airlines plane crash can have a devastating effect on an organisation.

As well as affecting employees who are directly involved, these events can distress colleagues and family members, and, where an employer is seen to have failed to respond quickly and effectively, they can also result in long-lasting reputational damage.

## IF YOU READ NOTHING ELSE, READ THIS ...

- > **Location is important for emergency response plans. Fleeing a war-torn African republic is different to leaving Europe.**
- > **An EAP needs global capabilities. A UK EAP may be able to help expatriates, but it needs to cover their local colleagues.**
- > **Make crisis management part of an organisation's culture.**

Developing a crisis management strategy is an effective way to support staff that are affected by these types of incidents. James Spencer, international corporate benefits manager at consultancy Jelf International, says: "Employees can find themselves caught up in all sorts of situations around the world. Being able to respond quickly and support staff affected can significantly reduce the damage."

## Emergency response planning

But knowing what to prepare for is not easy. After all, potential crisis situations vary significantly and can range from a natural disaster, such as a flood or an earthquake, a terrorist attack or an outbreak of disease.

Although these situations are very different, the key emergency response procedures will be designed to achieve the same objectives. Mike Blake, compliance director at PMI Health Group, says: "The way [employers] would respond to many of the major crises will be the same: evacuate and support employees that are in potential danger. So put some

broad scenarios in place that can be adapted to different events."

Location is an important consideration when building a crisis management strategy. Marco Bannerman, executive director, distribution for Europe, at health insurance provider Aetna International, says the organisation works with employers to identify specific challenges that result from employees' locations.

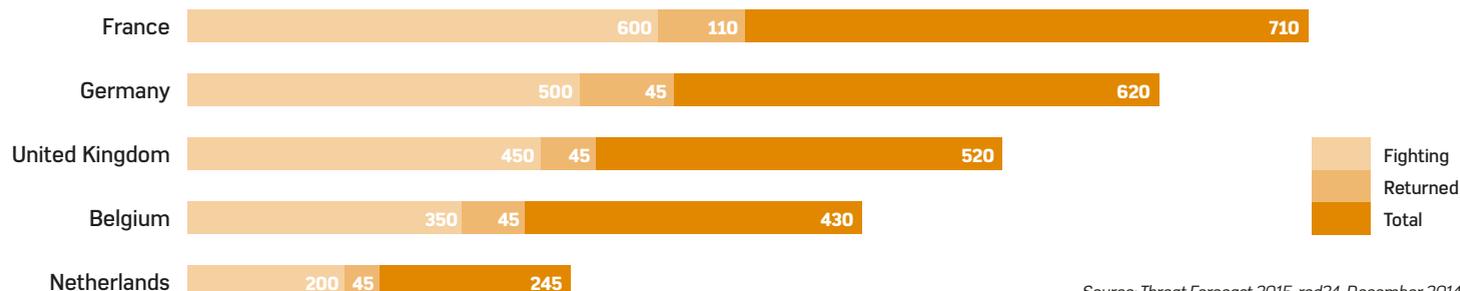
"Communications can be a challenge in some parts of the world such as West Africa so we'd look at ways we could maintain telephony in a crisis," he says. "Similarly, think about transport. We have a mining client with a site 250 kilometres from a railway. Designing its plan included finding out how quickly fixed- and rotary-wing planes could get to the site."

## Support benefits

Emergency response plans can call on a variety of benefits. In addition to providing evacuation and repatriation services in the event of a medical emergency, some international medical insurance plans will also provide

## THE RISE OF HOME-GROWN EXTREMISTS IN THE UK

Top five EU countries with citizens fighting in, and returning from, Syria and Iraq



## TOP 10 HIGH-RISK COUNTRIES FOR 2015

A crisis can occur anywhere in the world but, according to red24's annual risk calculation, published in December 2014, the following 10 countries, listed in alphabetical order, were assessed as the most risky in terms of factors such as crime, terrorism, conflict, political stability and kidnapping.

- Afghanistan
- Central African Republic
- Iraq
- Libya
- Nigeria
- Pakistan
- Somalia
- South Sudan
- Syria
- Yemen

Source: Threat Forecast 2015, red24

support in situations where employees' security needs to be protected.

Aetna has partnered with crisis response management specialist red24 to provide this on its Interglobal plan. "When some of our policyholders were caught up in the Arab Spring, red24 provided the co-ordination and security personnel to oversee transporting them to safety," explains Bannerman.

Where security services are not incorporated within medical insurance policies, they can be bought separately through organisations such as Control Risks and red24. The latter provides

services including pre-travel advice and support, emergency helplines, close protection services and evacuation. red24's online travel tracker service also enables an organisation to keep tabs on staff in high-risk destinations. Individuals or groups can be searched for in real time according to a number of factors including name, location, carrier and hotel.

While crisis management needs to consider the immediate risk to those caught up in an incident, it is also essential that it takes into account the emotional impact on employees, both those directly involved and their colleagues. Mike Lewars, commercial lead and head of international at Buck Consultants, says employee assistance programmes (EAPs) are a good way to provide emotional support: "An EAP can provide counselling support over the telephone but, where there's been a critical incident such as a bomb or suicide that may affect many people, some will also be able to provide a debriefing and on-site counselling."

### Catering for diversity

As these events can happen anywhere, it is important to tackle them with benefits and services that are suitable for diverse global workforces. Kate Nowlan, chief executive of EAP provider CIC, says that if an organisation has a mix of expatriate and local employees in an office, an international EAP is essential.

"If a critical incident occurs, [employers] need to be able to offer them all the same support, preferably in their own language. If [an employer] can only support UK employees, this could add to the trauma."

Not only do employers need to provide a range of services that kick in should the worst happen, they also need to ensure employees



Communications can be a challenge in some parts of the world so we'd look at ways we could maintain telephony in a crisis

Marco Bannerman, Aetna International

are aware they are there. Common ways to raise awareness include details about emergency helplines and EAPs on wallet cards and information distributed in staff rooms.

Jill Miller, research adviser at the Chartered Institute of Personnel and Development, says staff briefings on how to respond to different crises can also help. "Employees don't need to know the ins and outs of how the organisation would respond to every event, but running through some of the procedures can make a big difference if something does happen."

Training can also be an invaluable way to help employees cope in a crisis situation. This can include resilience training to help staff cope but also line manager training to enable them to identify when employees are struggling.

Taking this multi-pronged approach is vital. "It's about letting employees know their safety is important to the organisation," says Miller ■



**Sam Barrett**  
is a freelance  
journalist

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