

Modernizing Benefits: From Transactional to Transformational

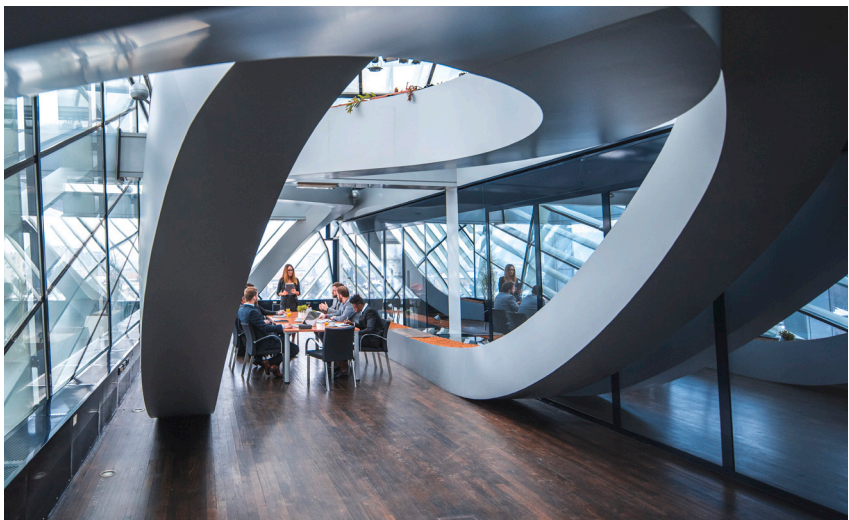
Global insights from Willis Towers Watson's
2019/2020 Benefit Trends Survey

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Introduction


Previous Benefit Trends surveys have seen a steady progression in how employers and employees view their employee benefit plans. From a transactional, “check the box” item, benefits have evolved into a true attraction, retention and engagement tool. Today, employers understand that their benefits can be instrumental in shaping the type of organization they are, and the way their employees – and their peers – perceive them.

Our last survey showed a trend toward enhancing benefits to include broader concepts such as wellbeing. Today, we see this trend go even further as employers embrace concepts such as inclusion and diversity, corporate social responsibility and flexible work policies.

However, as the scope of what is considered to be employee benefits becomes broader, are they truly effective in what they have been designed to do? While employers are actively furthering their benefit agenda, our survey aims to help us pause and reflect:

- Are employers getting the full value from their benefit package?
- Are they truly equipped to address the needs of a changing, multigenerational workforce?

Our 2019/2020 survey shows that only a minority of employers think their benefits are truly effective. While this can be explained by the increasingly ambitious nature of employee benefit programs today, it raises the question: What can employers do to ensure that employee benefits are truly addressing the changing needs of the future – for both employees and employers?

An aerial photograph of a beach and ocean. In the foreground, the golden sand of the beach is visible, with several people standing or walking. Long shadows are cast across the sand. The ocean is a vibrant blue, with white foam from breaking waves. Several people are swimming or surfing in the water. The overall scene is bright and sunny.

What can employers do to ensure that employee benefits are truly addressing the changing needs of the future — for both employees and employers?

About the survey

Willis Towers Watson's 2019/2020 Benefit Trends Survey takes the global pulse of current employer perspectives, strategies and practices.

It explores the programs they have in place, their priorities and the key challenges they face over the coming years. It seeks to understand the direction of companies' employee benefits, revealing where organizations are today, and where they want to be as they look into the future.

The study was conducted between May and June 2019. We received responses from over 4,300 companies – that employ over 22 million employees in 88 markets around the world – ensuring that our findings have global insight, as well as regional and local depth.

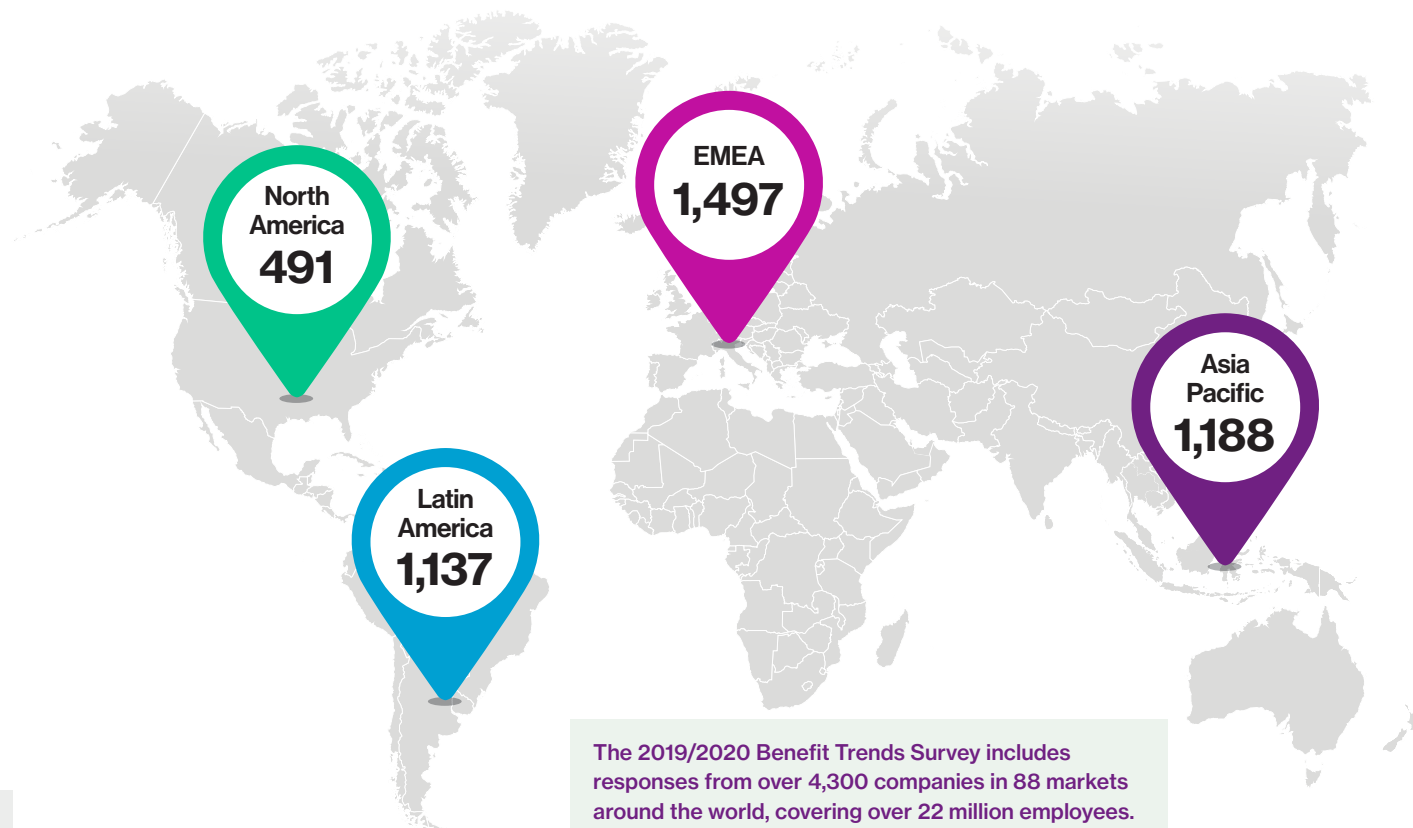
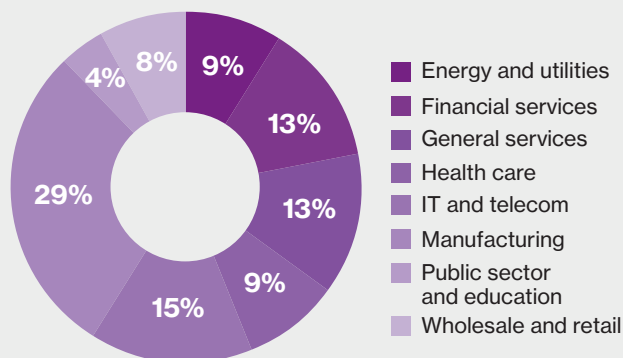


Figure 1. **Participants by industry**



Participants by country and region:

North America

Canada
United States

Latin America

Argentina
Bolivia
Brazil
Chile
Colombia
Costa Rica
Dominican Republic
Ecuador
El Salvador
Guatemala
Honduras
Mexico
Nicaragua
Panama
Paraguay
Peru
Puerto Rico
Uruguay
Venezuela

EMEA

Algeria
Austria
Belgium
Benin
Bulgaria
Cameroon
Congo (DRC)
Côte d'Ivoire
Croatia
Czech Republic
Denmark
Egypt
Finland
France
Germany
Ghana
Greece
Guinea
Hungary

Ireland
Israel
Italy
Kenya
Lebanon
Lithuania
Madagascar
Morocco
Mozambique
Netherlands
Niger
Nigeria
Norway
Oman
Poland
Portugal
Romania
Russia
Saudi Arabia

Senegal
Slovakia
South Africa
Spain
Sweden
Switzerland
Togo
Tunisia
Turkey
Uganda
United Arab Emirates
United Kingdom
Ukraine

Asia Pacific

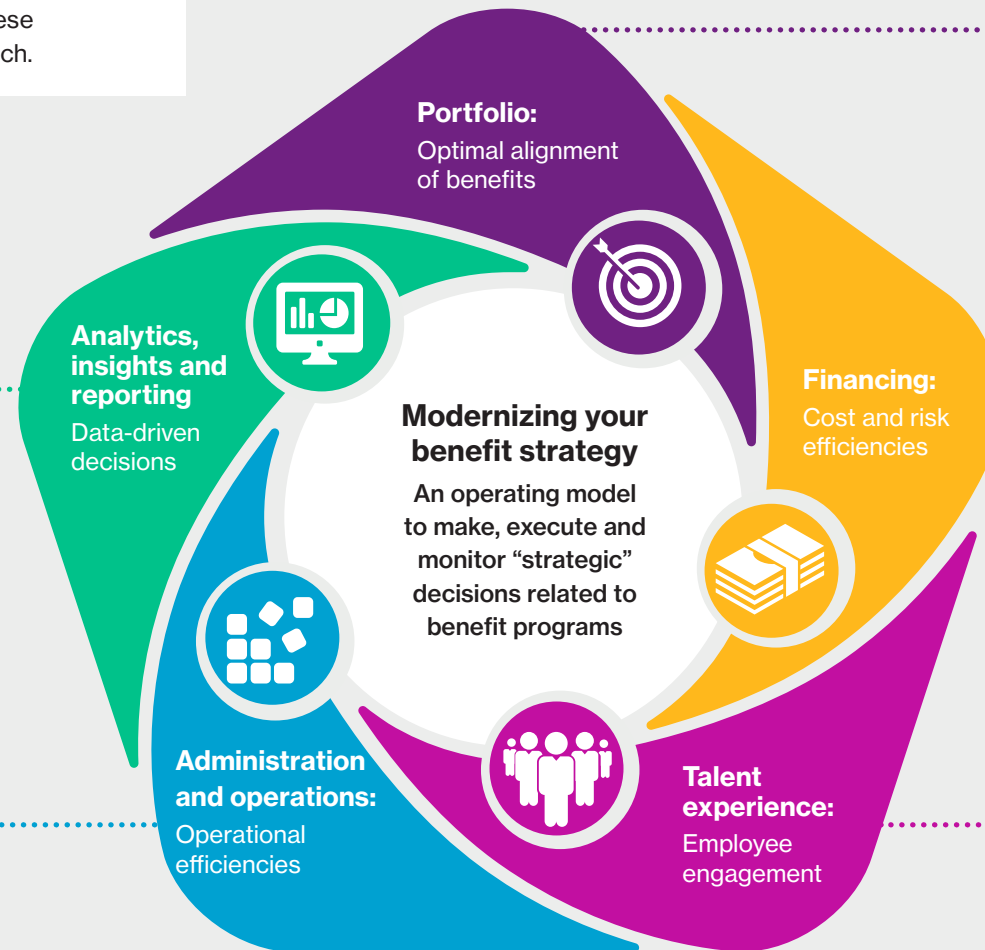
Australia
Cambodia
China
Hong Kong
India
Indonesia
Japan
Malaysia
New Zealand
Pakistan
Philippines
Singapore
South Korea
Taiwan
Thailand
Vietnam

Our approach

Willis Towers Watson's 2019/2020 Benefit Trends Survey was designed to provide an overview of where employers are heading with their benefit programs. The survey is based around five dimensions of managing and optimizing benefit programs around the world. In this report, we seek to understand organizations' objectives for these dimensions and the key trends emerging in each.

Use data-driven insights for informed decision making.

Efficiently administer benefits by leveraging technology and allocating organization resources.



Align the benefit portfolio with the organization's objectives, market norms, and employee needs and values.

Optimize the financing cost of benefits by allocating costs and risks efficiently.

Engage employees in their benefits with the ability to make informed decisions to maximize value and appreciation.

Benefit strategy

Key challenges facing employers

Although several key challenges emerged from the survey, two in particular stand out as concerns shared across all markets (Figure 2):

- **The rising cost of employee benefits** is cited as the key concern by over three-quarters (79%) of employers in North America and 69% in Asia Pacific and Latin America. Although perceived as less of a problem in EMEA (53%), cost is still highlighted as the most pressing issue for the region.
- **The differing wants and needs of a multigenerational workforce** is the second key challenge across all markets, with over half of employers around the world citing this as a critical problem.

In addition, **communication with employees around benefit choices** also emerged as an issue, particularly in North America (52%) and Latin America (45%), where lack of budget to deliver an effective communication strategy is also seen as exacerbating the problem by 42% of employers.

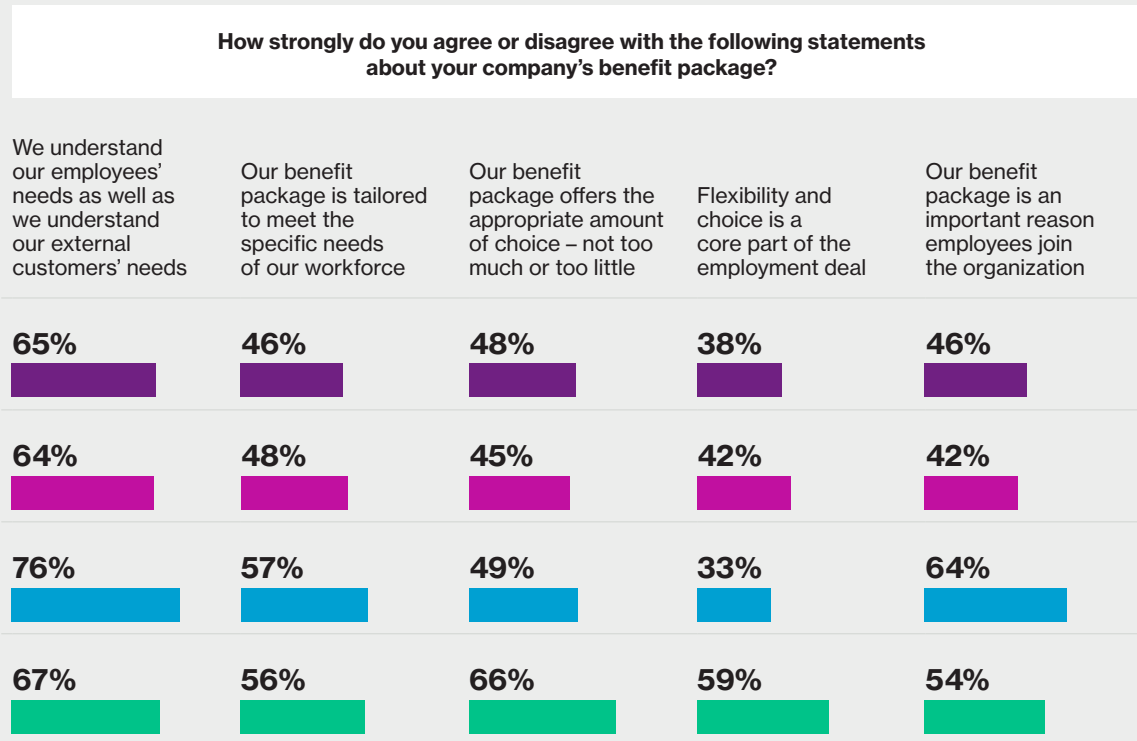
Asia Pacific respondents seem to be more worried than other territories about data gaps: 40% claim that **a lack of data** to measure plan outcomes or changes in employee behavior was a key challenge for benefit strategy.

The survey also highlighted some key differences around the world. Almost half (45%) of employers in North America cite the **lack of employee engagement with benefit programs** as a core challenge, compared with approximately a third in other regions.

Figure 2. **Top challenges facing employers**

	Asia Pacific	EMEA	Latin America	North America
Rising benefit costs	69%	53%	69%	79%
Differing wants and needs of a multigenerational workforce	55%	52%	59%	52%
Challenges communicating around benefit choices	39%	41%	45%	52%
Impact of regulatory changes/changes to statutory benefits	46%	33%	44%	32%
Lack of budget to deliver effective communication strategy	36%	35%	42%	30%
Lack of appropriate technology to effectively deliver company's benefit programs	37%	34%	40%	30%
Lack of data to measure plan outcomes or changes in employee behavior	40%	34%	36%	30%
Lack of employee engagement with benefit programs	34%	34%	33%	45%
Fragmentation of vendors/providers and lack of integrated tools	32%	32%	34%	31%
Unions/collective labor agreements	12%	15%	27%	16%

Figure 3. **Employer attitudes towards benefit choice**



Note: Percentages indicate "To a great extent" or "To a very great extent"

Most employers think they understand their employees' wants and needs, but few outside North America think they are appropriately delivering flexibility and choice to their employees (Figure 3).

Less than half of employers in EMEA and Asia say that their benefit package is tailored to meet the specific needs of their workforce.



Benefit effectiveness

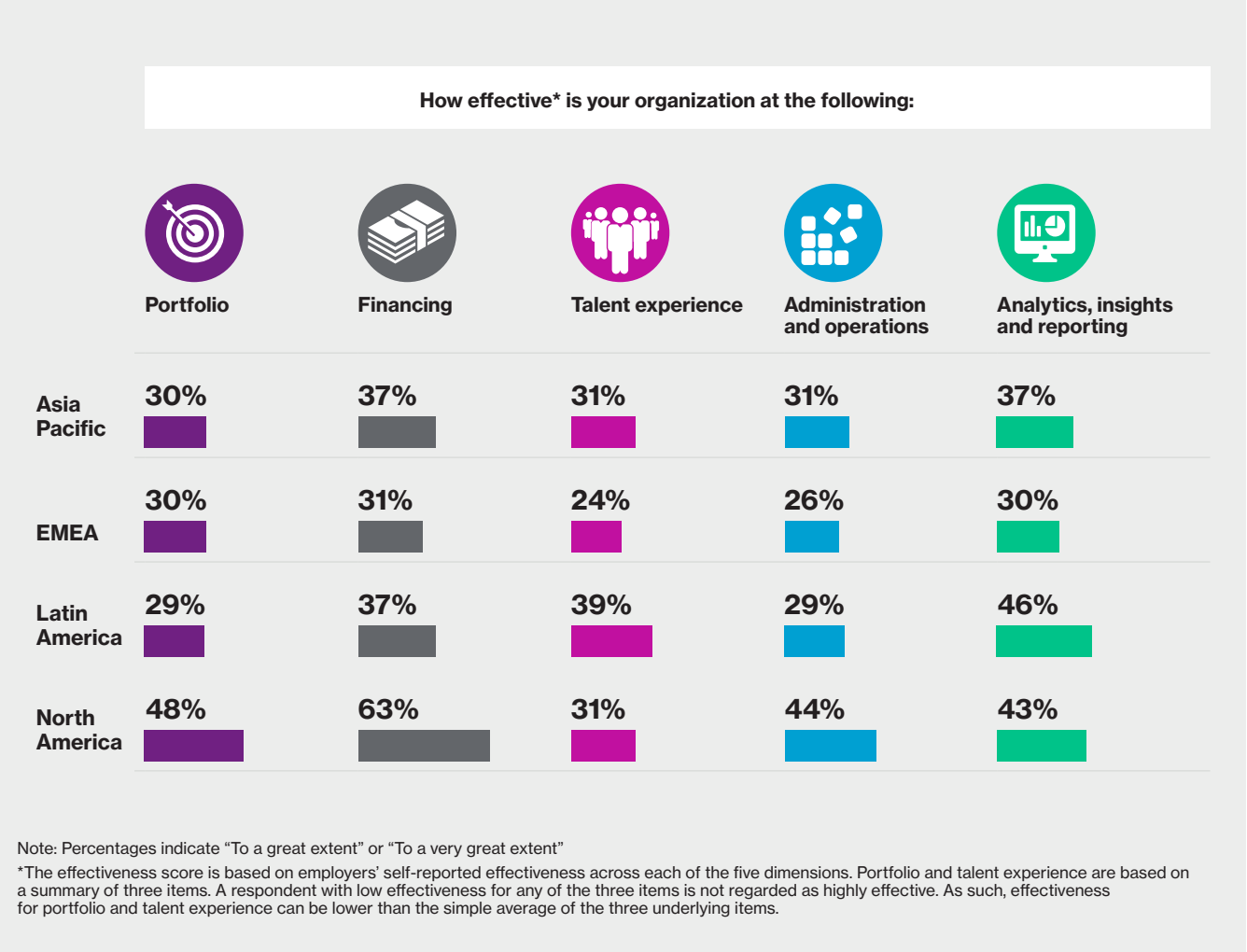
Only a minority of companies think their benefits are truly effective (*Figure 4*). For most, this means their benefit plans are adequate, but not maximizing value and not delivering a truly modern benefit package.

Those that think they are highly effective are more likely to report:

- Our benefit package is tailored to meet the specific needs of our workforce (highly effective employers are 1.6x as likely to report this as the average respondent globally)
- Flexibility and choice is a core part of our employment deal (1.7x)
- Our benefit package is an important reason why employees join our organization (1.5x)



Figure 4. **Employer opinions on benefit effectiveness**



An evolving role for employee benefits

In part, the reason for such relatively low scores on benefit effectiveness is that we are seeing a sea change in what benefits are being asked to do. Traditionally, benefits looked to address core health and retirement needs. Two years ago, in our first global Benefit Trends Survey, we saw movement across the world to focus on addressing employee wellbeing.

Today, we see this trend continuing. One element of this continuing trend is a broader notion of what employee benefits are. The likes of workplace culture, inclusion and diversity, corporate social responsibility and flexible work policies are all increasingly being seen as part of the benefit landscape.

Employee benefits are being challenged to do more: to better target a broader concept of employee wants and needs.

This may help to explain underperformance of benefit programs relative to organizational goals: benefit programs that were fit for purpose in the past are not addressing the changing needs employers see for the future.

Top priorities for benefits

The top four priorities for organizations' benefits portfolios (Figure 5) are:

1. Incorporating wellbeing* into overall benefit strategy (66% globally)
2. Enhancing work policies (e.g., flexible work, recognition, mentoring, training) (64%)
3. Aligning benefit provisions with market norms and employee wants and needs (62%)
4. Incorporating inclusion and diversity into benefit programs' design (55%)

This wider interpretation of employee benefits is fairly consistent internationally, although Asia Pacific employers are also still looking to enhance traditional, core benefits.

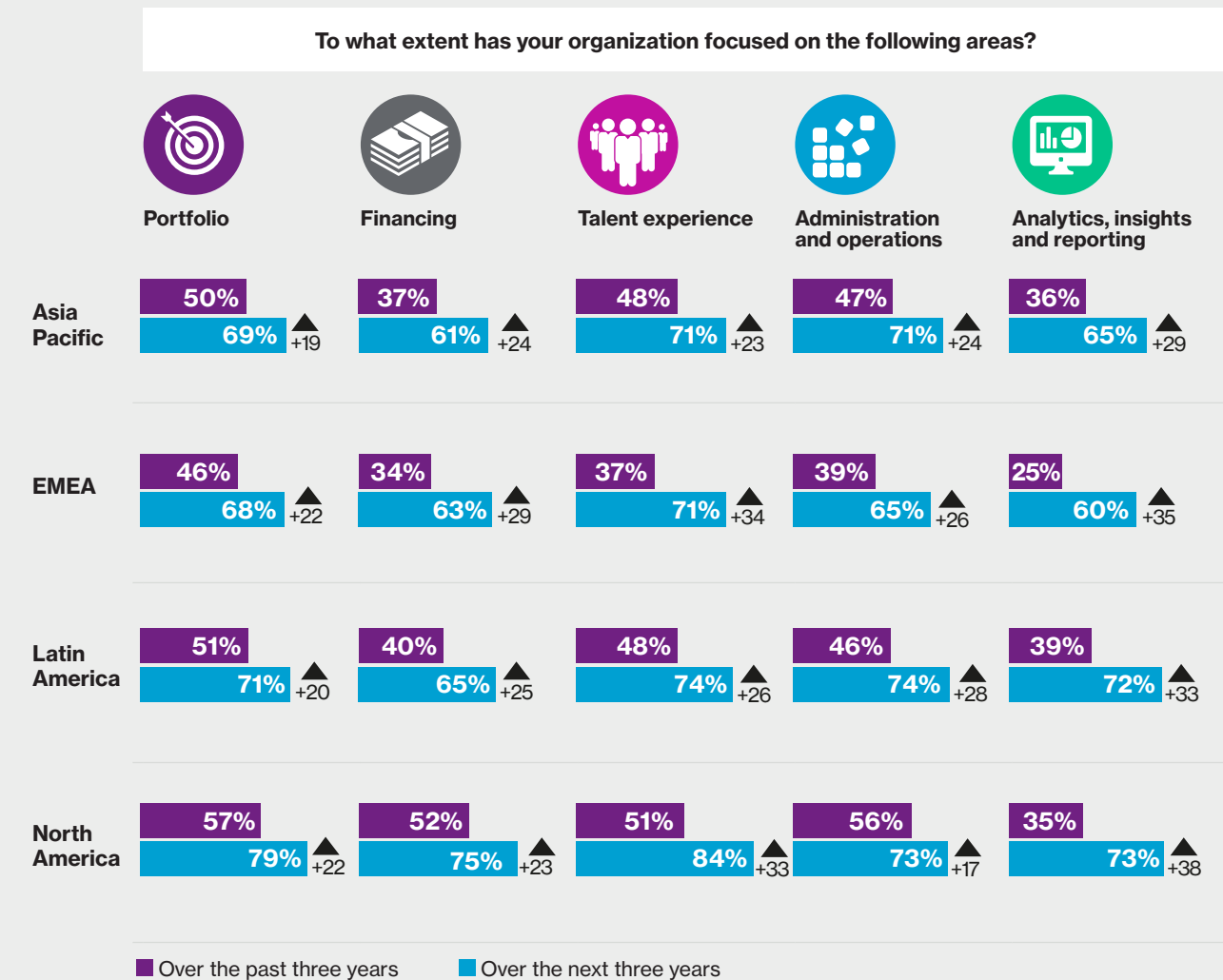
*Financial wellbeing, physical health and emotional wellbeing



Figure 5. **Top priorities for benefit portfolios by region**

Rank	North America	Latin America	EMEA	Asia Pacific
1	Wellbeing	Wellbeing	Enhance work policies	Market norms and employee wants and needs
2	Market norms and employee wants and needs	Enhance work policies	Wellbeing	Enhance work policies
3	Enhance work policies	Market norms and employee wants and needs	Market norms and employee wants and needs	Wellbeing
4	Inclusion and diversity	Inclusion and diversity	Inclusion and diversity	Core benefits

Figure 6. **Evolving priorities over the next three years**



Note: Percentages indicate "To a great extent" or "To a very great extent"

Future outlook

Employers are certainly not standing still. In *Figure 6*, we see that they are looking to sharpen the focus on benefit programs across all dimensions, in particular on:

- **Enhanced talent experience** – to better address employees' wants and needs
- **Analytics, insights and reporting** – to assess current programs and to understand where best to deploy resources in the future



Key trends

Benefit portfolio

The trends toward greater choice and a focus on wellbeing seen in 2017 continue, but now incorporate a broader notion of what benefits should deliver.

Broader and enhanced benefit portfolios

Most companies are focused on managing and maintaining core benefits (Figure 7), but some are also looking to supplement and enhance their offering by deepening their commitment to a broader and more flexible benefit deal.

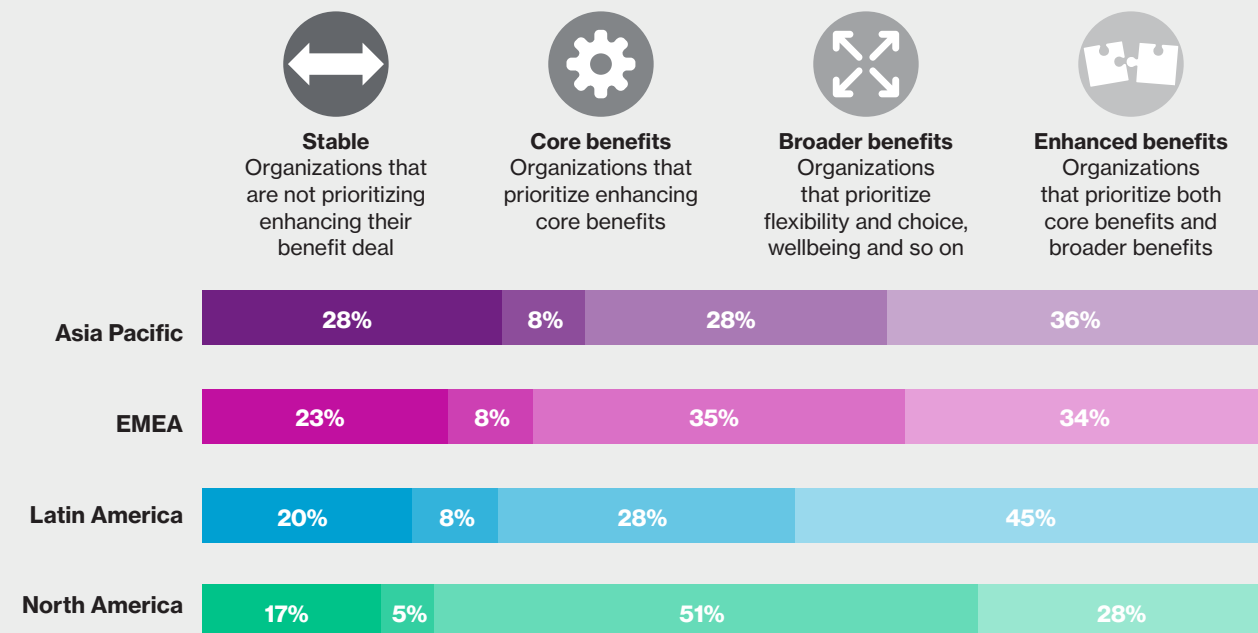
This is particularly the case in North America, where 79% of employers claim to be either broadening or enhancing their benefit portfolio.

Those organizations that report themselves the most effective are much more likely to focus on an enhanced benefit deal – focusing on core and broader benefits in an integrated approach.

79% of employers in North America claim to be either broadening or enhancing their benefit portfolio.



Figure 7. Employer attitudes towards portfolio evolution



Note: Percentages may not sum to 100% due to rounding

Figure 8. Among highly effective employers, we see the following percentages focusing on enhanced benefits:

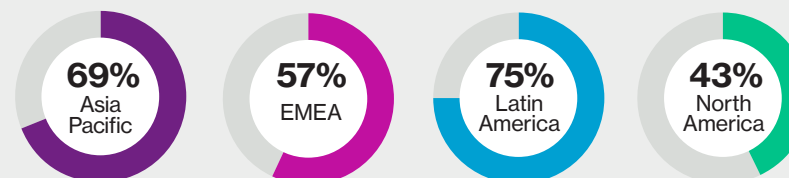
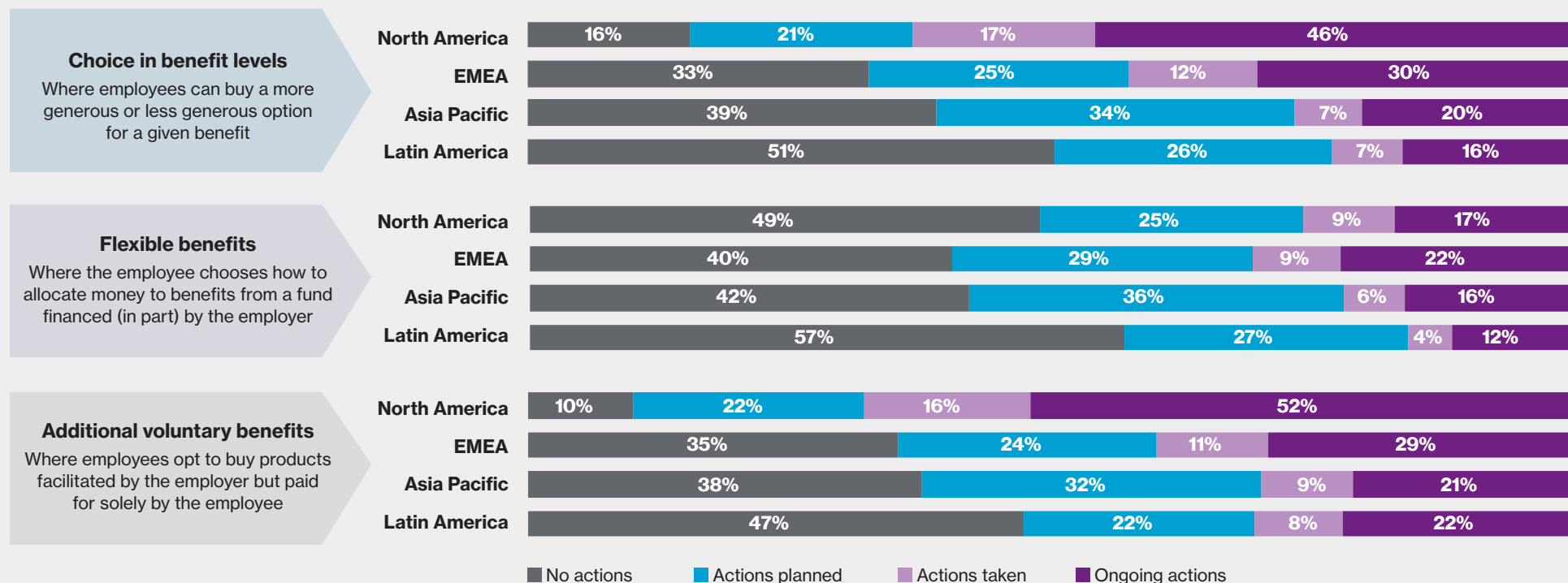


Figure 9. **Employee choice is driven by voluntary benefits, choice in benefit levels and flexible benefits**



Better use of choice

To date, we see “choice” being delivered by the addition of voluntary benefits and limited “opt-ups” (Figure 9).

While traditional flexible benefits plans (where employees are given a budget to spend across a number of benefit plans and options) are far less common, we do see some signs of their prevalence growing; however, this type of plan may not be fully meeting the needs of either employees (who can get overwhelmed by the extent of choice and complexity) or employers (that have to meet the costs of administering these complex arrangements).

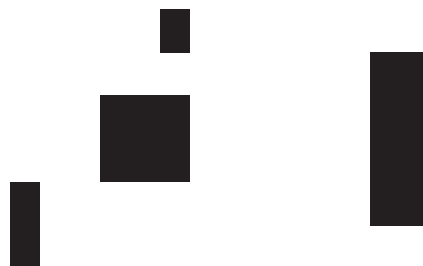
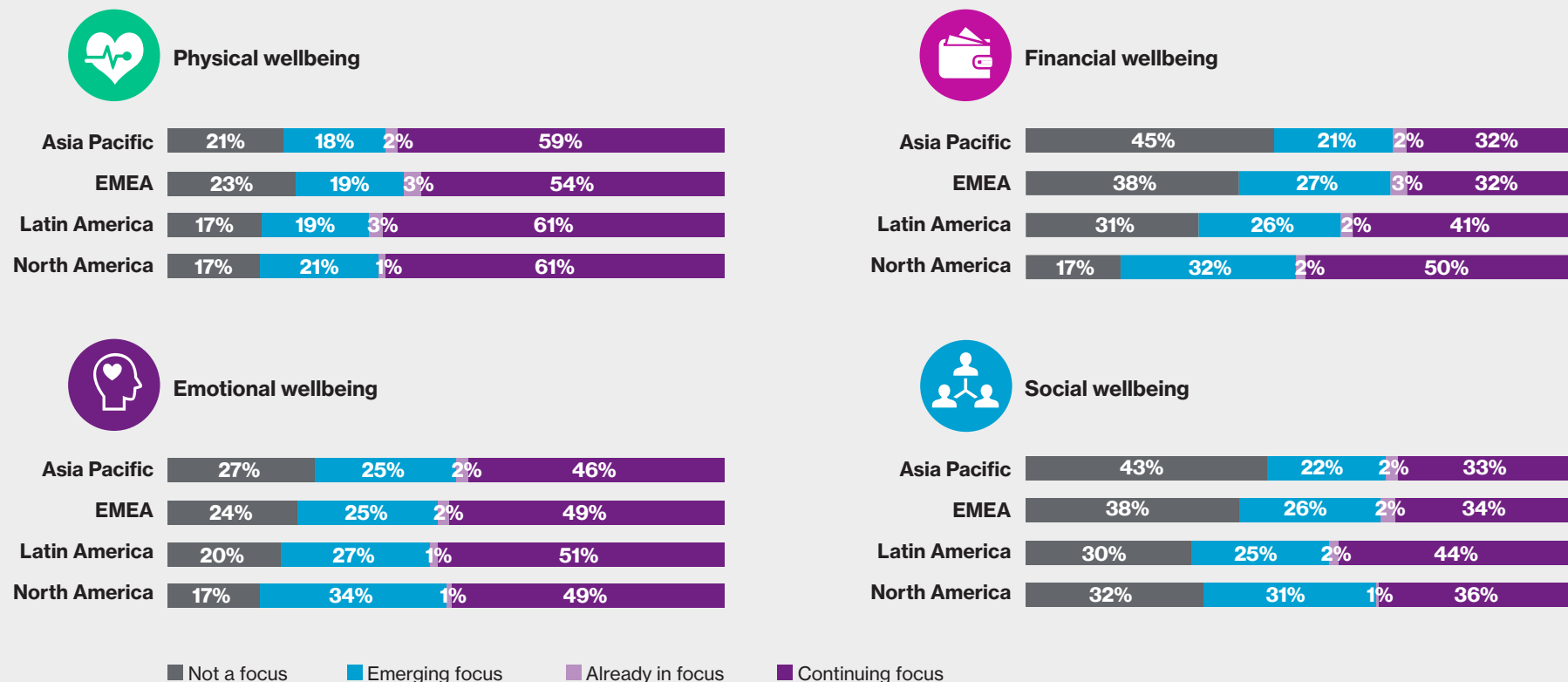


Figure 10. **An evolving definition of employee wellbeing**



A wider definition of employee wellbeing

A focus on wellbeing remains the top priority for employers – but moving beyond physical and emotional wellbeing to also address financial and social aspects (Figure 10).



Talent experience

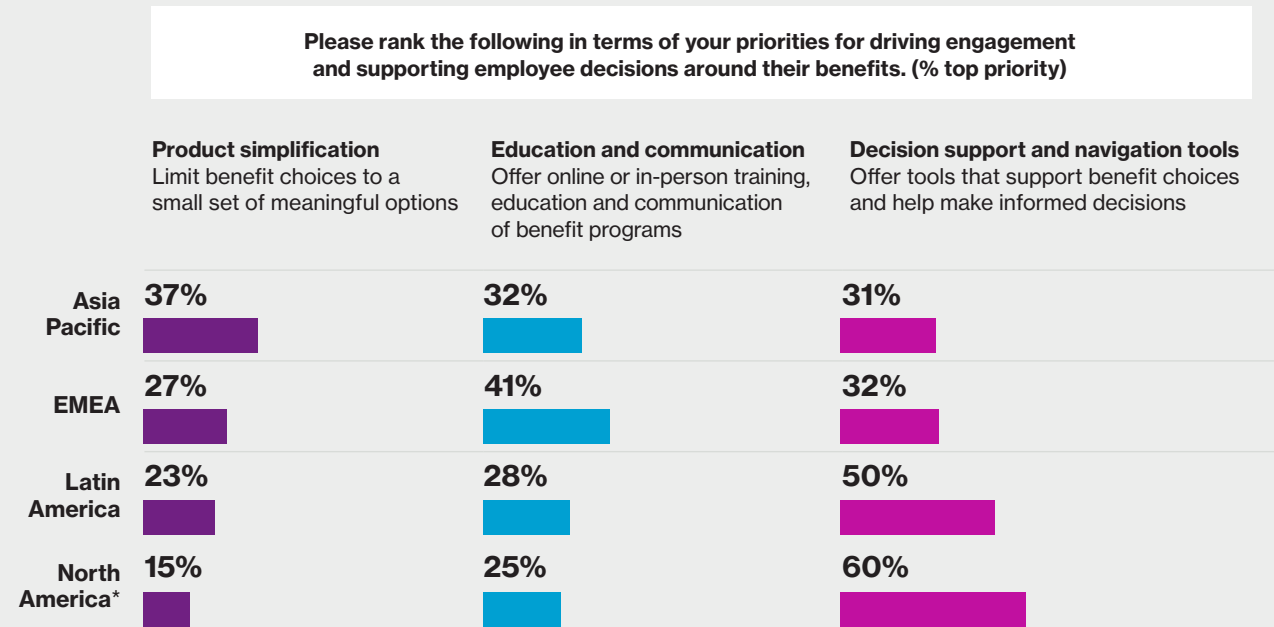
There is a continuing desire to deliver a technology-enabled benefit deal, but increasingly the focus is moving to decision support plus simplification to enable choice.

The challenges of delivering choice have long been recognized: how to get the choice architecture right so it doesn't create "choice overload" and how to engage employees in benefit decision making.

To date, attention has focused on enhancing communication, with a third of companies globally highlighting this as a key challenge.

However, both in the last survey and even more so in this survey, we see a definite shift in how employers are approaching "choice." Across the world, but particularly in North America and Latin America, we see attention shifting to technology as an enabler, with the focus turning to decision support tools. In addition, we see many employers focusing on narrowing the range of choice to a small but meaningful set of options (*Figure 11*).

Figure 11. Employer priorities for driving engagement and supporting employee decisions around benefits



*Sample is based on companies with at least 100 employees in 2019 Willis Towers Watson Emerging Trends in Health Care Survey

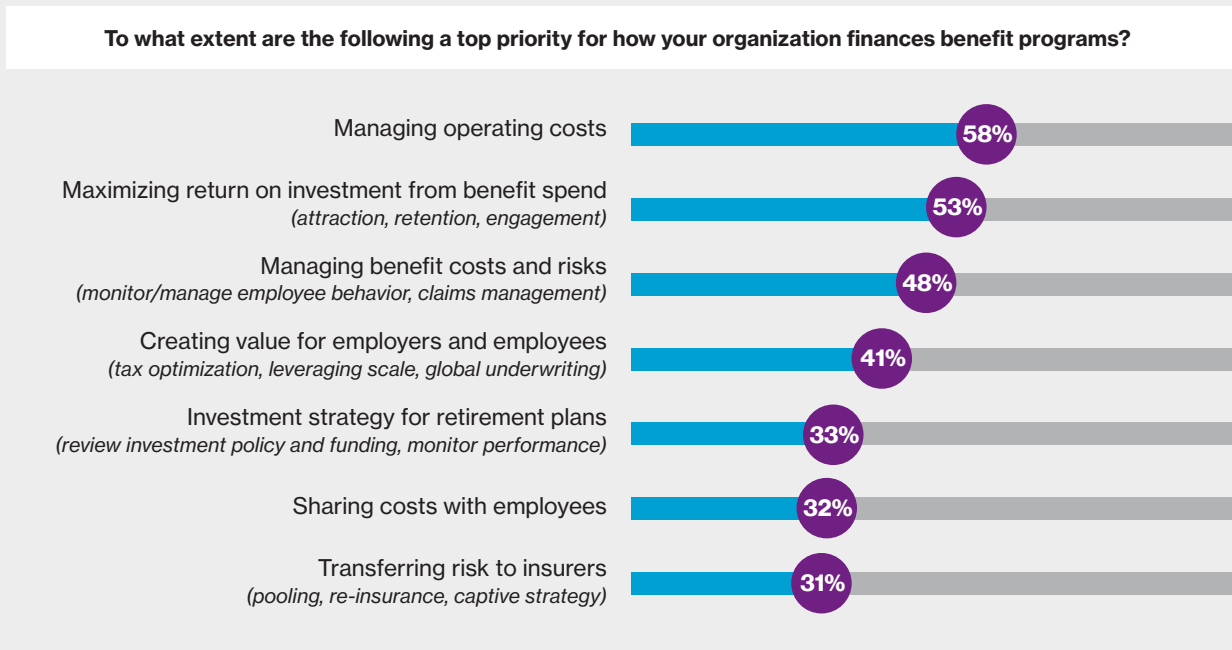
Financing

Cost control remains key. But are employers too narrowly focused on operational costs, rather than generating value from their ongoing investment in employee benefits?

- Cost control remains a major issue, and employers are focused more on the management of day-to-day operating costs than on deriving value from their investment in employee benefits (Figure 12).
- Outside of North America, there is only a very limited focus on cost sharing with employees.

While most companies clearly want value from their plans in terms of attracting and retaining the best performers in their particular field, only a minority are looking at actively creating value via tax optimization or leveraging scale through global underwriting.

Figure 12. **Cost management is focused on management of day-to-day operational costs**



Note: Percentages indicate "To a great extent" or "To a very great extent"

Administration and operations

Data management and security rising to the top of the agenda

In the 2017 Benefit Trends Survey, we saw companies focusing on the enhanced use of technology to support the delivery of employee benefit programs.

In 2019, the focus on automation of benefits administration remains, particularly in North America. But other challenges are also coming to the fore (Figure 13).

Compliance remains a perennial concern, but today the challenge of data management and security has risen to the top of the agenda, fueled by recent legislation (e.g., the General Data Protection Regulation) and broader concerns about cybersecurity and data breaches.

As the concept of wellbeing becomes embedded in companies' mindsets, and their benefit programs evolve to support the diversity of employee needs, the benefit package is increasingly being viewed through the lens of the broader employment deal. In fact, we see around 60% of organizations are focused on integrating benefits administration with other HR systems.

Figure 13. Top priorities for benefits administration and operations

Rank	North America	Latin America	EMEA	Asia Pacific
1	Focus on technology and automation	Legal and regulatory compliance	Data management and security	Legal and regulatory compliance
2	Data management and security	Formal documentation of policies and procedures	Legal and regulatory compliance	Data management and security
3	Legal and regulatory compliance	Integration of benefits with other HR systems	Focus on technology and automation	Formal documentation of policies and procedures
4	Integration of benefits with other HR systems	Data management and security	Integration of benefits with other HR systems	Vendor and advisor management
5	Formal documentation of policies and procedures	Focus on technology and automation	Formal documentation of policies and procedures	Integration of benefits with other HR systems



Compliance remains a perennial concern, but today the challenge of data management and security has risen to the top of the agenda.

Analytics, insights and reporting

Employee sensing and 'value on investment' approach coming to the fore

In our 2017 survey, we reported a trend toward a more analytical and coordinated approach to benefits. This is reinforced in our current survey; in *Figure 14*, we see over half of organizations in our survey take ongoing actions – or have taken actions in the past three years – on:

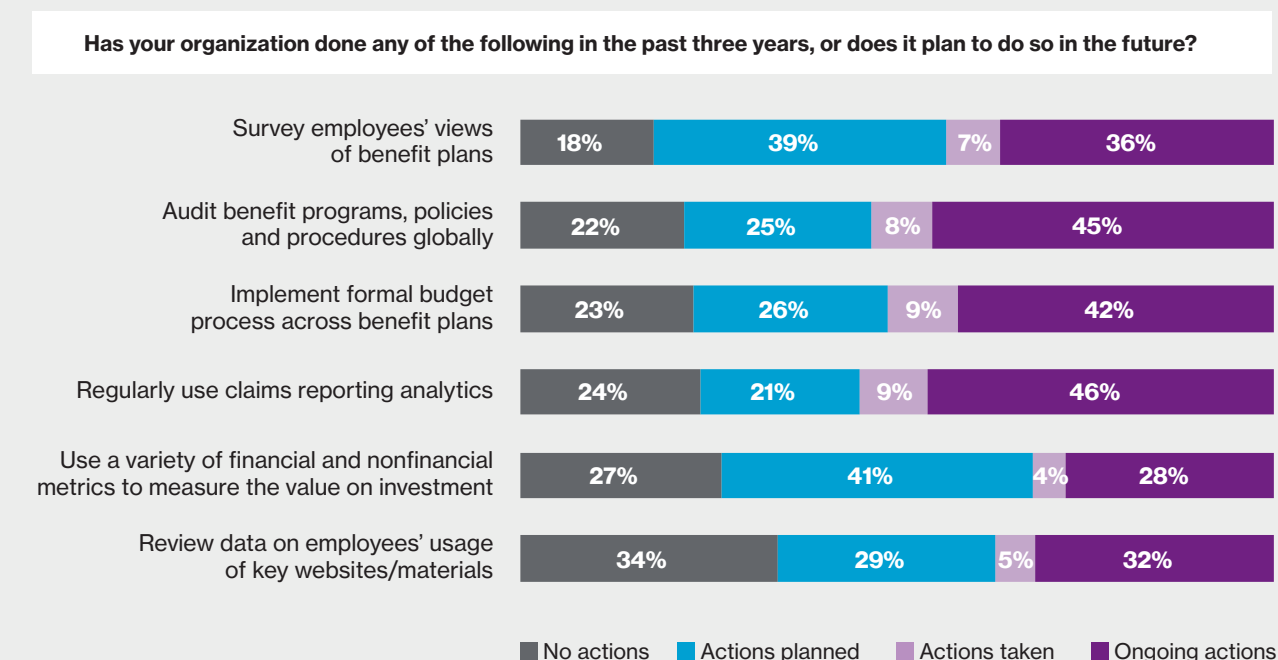
- Using claims analytics regularly
- Auditing employee benefit programs around the world
- Implementing formal budget processes across employee benefit programs

To date, organizations have principally taken steps around their understanding and oversight of current plans and employee behaviors.

In their future plans, we see an increased intent to expand their understanding of what employees think of their benefits and how employees use the tools, websites and material provided. And the use of other nontraditional metrics to evaluate their investment in their benefit programs using a “value on investment” approach is set to increase.

- Around three in four employers are looking to survey employees' views on benefit plans (including ongoing and planned actions).
- Over two in three employers are looking to use a variety of financial and nonfinancial metrics to measure the value of their investment.

Figure 14. **How employers analyze benefits — now and in the future**



Note: Percentages may not add up due to rounding.

We see an increased intent to expand employers' understanding of what employees think of their benefits, and how employees use the tools, websites and material provided.

Modernizing benefits

What can companies do to deliver a modern employee benefit package?

Many companies are already taking actions on a variety of fronts; however, this survey highlights the importance for employers to take a strategic view of what they want their employee benefits to achieve.

The majority of respondents to our survey are looking to make their employee benefits work a lot harder and to understand how this can be achieved, given the cost constraints we also know they face.

To that end, we suggest a systematic approach to build and implement a truly effective benefit strategy:

1. Establish a broad-based philosophy and strategy to modernize benefits to reflect business strategy and culture as well as employee values, preferences, diversity and inclusion.

Break down the organization's broad-based employee benefit strategy into tactical goals under the five dimensions:

- i. Define a **portfolio** of employee benefits — aligned with organizational culture, brand and market norms — that offers core protection (in concert with state-provided benefits) while making good use of flexibility and choice to meet the values and preferences of a diverse workforce — including achieving inclusion and diversity objectives.
- ii. Optimize **financing** of benefit commitments and benefit operations to ensure long-term sustainability.
- iii. Treat employees like consumers to deliver a technology-enabled **talent experience** to engage employees in their own wellbeing; nudge them to make good decisions; and ensure a positive, stress-free experience when they use their employee benefits.
- iv. Establish sustainable **administration and operations**, e.g., by implementing process automation and technology to enable effective collaboration between group resources, local resources and external partners.
- v. Use data-driven **analytics, insights and reporting** to make informed decisions to ensure ongoing relevance of programs, achieve ongoing value on investment and manage costs.

2. Review and update governance protocols and the operating model to execute the strategy.

Review and update the operating and governance model for employee benefits to align to the organization's benefit strategy, including to:

- i. Allocate roles and responsibilities between group functions and local/regional stakeholders.
- ii. Identify data, information and reporting requirements.
- iii. Establish communication, reporting and approval protocols for effective collaboration between group functions and local teams.
- iv. Identify specific opportunities to align local country employee benefit programs with modernization objectives by assessing employee benefits against philosophy, principles and objectives while reflecting local best practices, local business considerations/rationales and employee values/preferences/expectations.

3. Ensure ongoing oversight to stay on track as the business and workforce evolve, corporate transactions occur, laws and legislations change, and employee preferences and behaviors evolve.

- i. Develop consistent and regularly updated dashboards to provide real-time business insights and enable timely decision making.
- ii. Ensure that senior leadership is involved and can provide regular guidance and oversight, particularly in light of organizational change.
- iii. When working with outside vendors, ensure there is a mutual understanding of the types of data to provide, and that there is a clear path to accessing this data.



Benefits Strategy Assessment

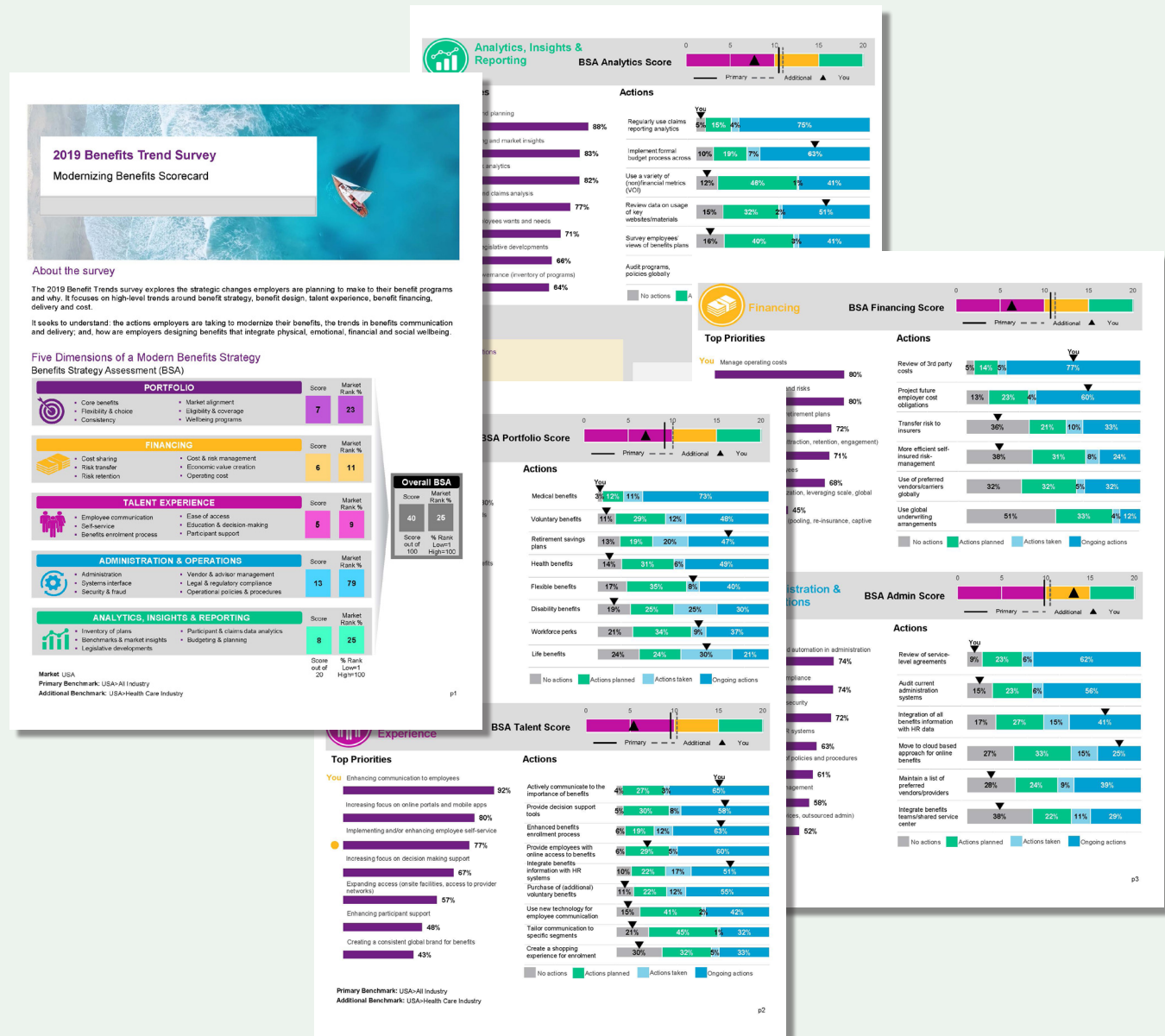
We combine employer's own self-assessment of the effectiveness of its employee benefit programs (as shown in Figure 4, page 8) with the extent it is focusing on these five dimensions in the next three years to form a Benefits Strategy Assessment (BSA) score (see sample scorecard, Figure 15).

Where an organization reports itself as being highly effective in an area and that area is a core focus for the future, it is scored as "high." Where the organization reports it is ineffective in an area and is not prioritizing the area for change, it is scored as "low."

Scores are formed for each dimension and then aggregated to an overall score from 0 to 100.

In all regions the average BSA score is below 50, suggesting a number of opportunities for employers to enhance their benefit programs.

Figure 15. Benefits Strategy Assessment sample scorecard



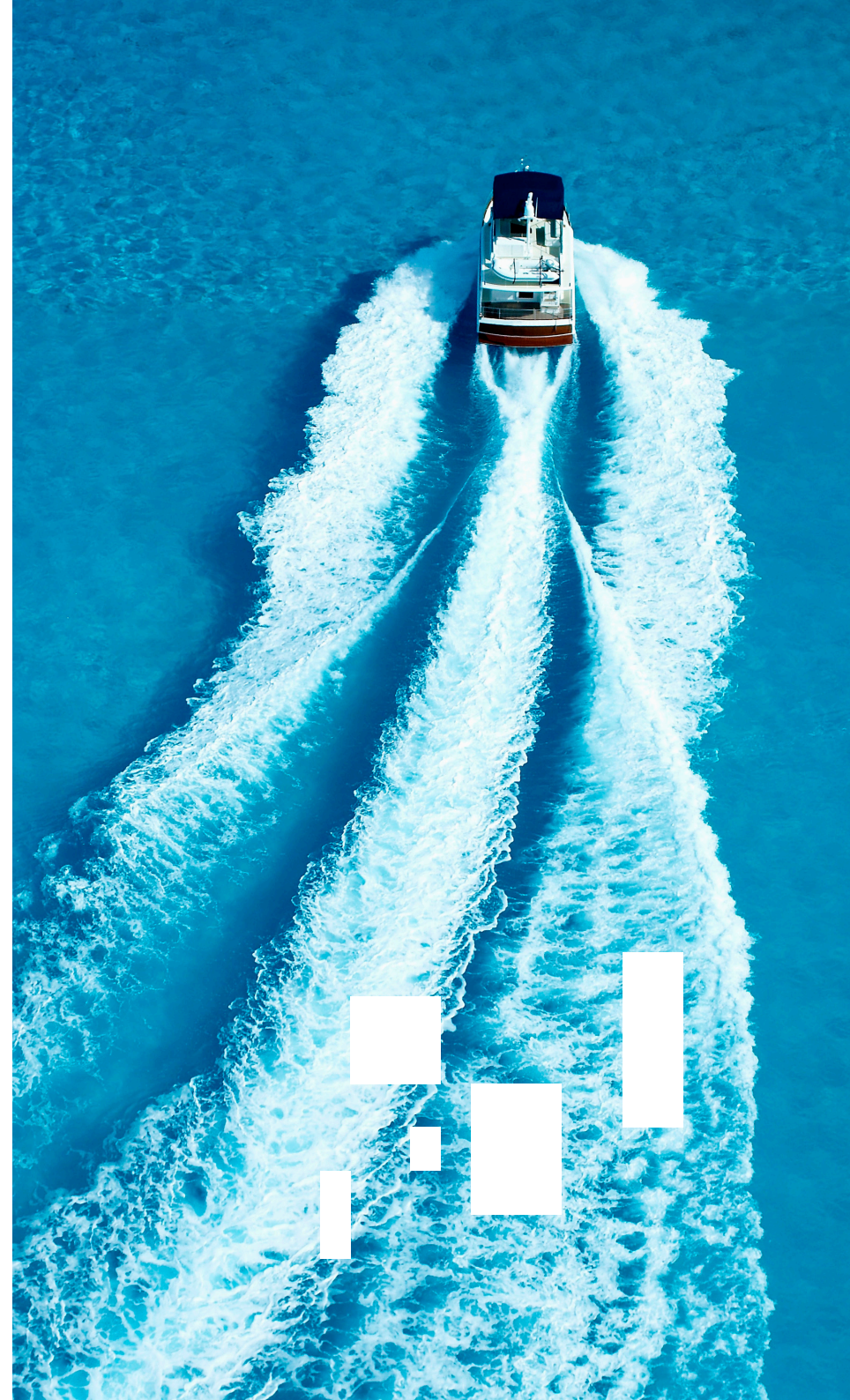
How to get a scorecard

If you would like to find out what your organization's BSA score is, you can still take our survey and receive a personalized scorecard that benchmarks you to your peers and talk with a benefit strategy consultant at no charge.

Take the survey here: willistowerswatson.com/benefittrends

Or reach out to your regular Willis Towers Watson contact or our regional survey leads:

- Asia Pacific: royston.tan@willistowerswatson.com
- EMEA: alejandra.velez@willistowerswatson.com
- Latam: raul.puchuri@willistowerswatson.com
- North America: alisha.yadali@willistowerswatson.com





About Willis Towers Watson

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