

# WHEN ONE SIZE DOESN'T FIT ALL

With staff ranging in age from 18 to 68, how can organisations find the best fit in employee benefits?

**Helen Swire** investigates what can appeal to a wide demographic



**AT** one end of the spectrum, £9,000 of annual tuition fees may have deterred many 18-year-olds from applying for university. At the other end, the abolition of the default retirement age and new pension freedoms have given older workers the option to remain in employment for longer.

The result? A workforce that could have more than a gap of 50 years between the youngest and the oldest staff member, and all the age groups and life stages in between.

Employers must therefore create a benefits strategy that suits all their demographics: from gym membership through childcare to a pension.

## PENSIONS AND RETIREMENT

The pensions changes, on the surface, most immediately affect those who are about to retire – employees who must make imminent choices about their retirement income – deciding whether to buy a traditional annuity, go into income drawdown, or take a cash lump sum (or a mixture of these).

However, this does not simply affect those who are about to benefit from their retirement funds, but also employees making their key decisions about their future in their 50s – and employees in their 20s and 30s, for whom retirement seems a distant goal, but who must contribute now to be able to benefit later.

Employers have to be sure, then, that they have picked a scheme that offers options that will suit the whole spectrum of age groups, and can meet all needs.

“Employers must have a really intelligent default option that looks after people appropriately at different stages in their life,” says Ellie McKinnon, chief executive of the Cheviot Trust.

“They have to look at meeting different needs differently. A default fund that takes employees from 18 to 68 must look at those people throughout their entire working life, and not just sit them in one default where one size fits all.”

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» It's not just the default fund where one option cannot cover the whole workforce – in the wider pensions picture, financial education – an increasing necessity – must be tailored to suit different age groups.

The importance of saving for a retirement income and making the right choices will mean two very different things to an employee just starting out in the workforce – perhaps paying off a student loan or looking to get a mortgage – and a person who is facing retirement and working out what they will live off each week.

Financial education and communications, tailored appropriately, can successfully engage all the different demographics with their savings.

Jonathan Watts-Lay, director, Wealth at Work, talks through the relevant information to each group. He says: "It's important to help younger people to understand the benefit provision that the company offers, and get them to understand the key messages about their savings.

"For the middle-aged group, the notion of taking a rain-check mid-career is growing, encouraging scheme and savings decision-making earlier in their career. And at the other end, it's about making sure the older demographic understands those all-important options they have at retirement."

#### **LIFELONG CARE**

The Office for National Statistics reported that over a quarter of adults between the ages of 20 and 34 were living with their parents in 2013 – but a different type of squeeze is being felt by older people.

Recent survey results from LV= estimated more than a million people in the UK are looking after both children and elderly parents, as life expectancy grows.

This change in care responsibilities is having a natural impact on not only the financial desires of the workforce, but also

the demand for benefits such as flexible working and employer eldercare support.

The growing need for paternalistic employer support, both for eldercare and childcare, is swinging in employees' favour. Iain McMath, chief executive of Sodexo Benefits and Rewards Services, describes a "storm approaching for companies" as the economy recovers and the battle to attract and retain talent grows.

He says: "Once companies sort out the housekeeping things like salary, it's about the environment we work in – is there flexibility? How family friendly is it? These will become key leaders for companies to use to attract people and retain them."

Flexibility is key when catering for working parents, as parental responsibility could now extend from new parents in their 20s to parents in their 50s supporting their children through education.

"It's about parents having what's appropriate to them, at their age and their position in life – do you need more flexibility, to work from home, to be empowered more?" asks McMath.

"This could come through the flexibility to pick your child up from school, or a reward scheme to put money away for their education. Those things start to become key drivers for getting people engaged, and that's where we going to see a move with the demographics."

And flexibility is not just about families. Companies are gradually becoming more open to the idea of allowing employees to take sabbaticals for further training or education, or allowing a switch to part-time contracts to accommodate this.

The benefits of being flexible are clear. While the employee can take more personal control of their working life, employers can benefit from a more engaged, higher educated employee, without having to re-recruit or retrain.

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***"It's important to help younger people to understand the benefit provision"***



Jonathan Watts-Lay  
director  
WEALTH AT WORK

» In the uncertainty surrounding the election result, employers have increasing concerns that changes to childcare policies will prevent them from providing good support to their employees. Whether or not they choose to buy into childcare vouchers while they still can, now is the ideal time for employers to open the conversation with their whole workforce about the support they need – whether it's advice, financial support, or flexibility.

#### **A LIFESTYLE FOR ALL**

Retirement planning, childcare and working patterns are the major forces in demographic benefit planning for many employers, there are other strategies that can cater to the majority yet in an individual way.

Looking at employees' individual circumstances allows for an overall examination of a workplace benefits structure, and tying this together with the company's business objectives will allow employers to build in people's needs into, for example, a comprehensive voluntary or flexible benefits package.

"You've got to look at your company objectives first and foremost, then look at what benefits are available in the market, and then look at the demographics that sit within your organisation," says Terry Gostelow, account director at Staffcare.

"If you look at all those, then you can work out what benefits are going to suit what people and which ones are going to reinforce your corporate values."

By putting together a suite that suits both company and employee, firms have the building blocks in place for a successful voluntary or flexible package that can be reviewed year-on-year according to new offerings on the market, or any changes in the staff demographic.

The trends over the past two years are emblematic of the growing need to suit different workplace age groups.

Salary sacrifice car schemes, for example, are increasingly popular options among employees with families, while discount vouchers and taste cards are popular among Generation Y workers who are looking to go out but also save money.

"There's a lot of reform and innovation within the market which is appealing to supporting people at different stages in their working lives," says Gostelow.

Surveys have indicated that employers have concerns around implementation and administration costs. However, the platforms that many providers now use remove these burdens from the employer – and further, add a backdrop of data analytics that provide supporting return on investment, to inform decisions and make schemes relevant to employees of all age and life stages.

#### **MAKING THE CASE**

"Companies are getting to the stage where they understand there's got to be a different approach to benefits apart from just a tick-box exercise", says Sodexo's McMath.

It is not enough for the benefits to be personalised to different elements of the workforce – employers need to engage their staff personally, too.

"Benefits programmes need to be communicated in a personal way," McMath adds. "It's great to have a range that everyone has access to, but how you communicate them is key to the take up and the understanding about what it means – both for them and the business."

Gostelow agrees: "Isolating workforce segments, keeping it simple, and basic targeted messages can make all the difference in educating people about what's available."

And in return, having a personalised conversation with employees about their benefits, alongside any data gathered from benefits technology, can only help an employer find the best fit for the workforce.

As the war over talent starts again, employees will be able to pick and choose where they want to work – to attract the best, employers will have to start picking and choosing their benefits accordingly.

To hear more about catering for the needs of all your workforce, come along to Making Reward Personal on Thursday 9 July in London. For more details, please see <http://events.reward-guide.co.uk/making-reward-personal/> **R**