

## **Benefits Design and Delivery: What does the future hold?**

By Leonard Sanicola, CCP, CBP, GRP, CEBS, SPHR  
WorldatWork

To compete for top-notch talent, organizations know that employee benefits are an integral part of the total rewards mix. In recent years, benefits packages have become just as important to many employees as their compensation. Traditional benefits, including health care and retirement programs, still remain a major component of the employee-employer value proposition. At the same time, other benefits, such as health and wellness programs, voluntary benefits, and financial education and advice gain traction.

There are many internal and external influences that shape what benefits look like. Internally, many organizations are shifting from a paternalistic approach to one of shared responsibility, and a multigenerational workforce is causing most employers to think about the value of their benefits packages from diverse perspectives. Externally, change can come from the legislative and regulatory environment, public policy, economic and social forces, and technological innovation.

### **Changes Within the Workforce – Shared Responsibility and Diversity**

As benefits programs migrate from a paternalistic approach to one of shared accountability, the most evident change is the decline of defined benefit pension and retiree medical plans. With this has come an increase in consumer-driven health care delivery models and defined contribution retirement plans and approaches, a rise in a diverse set of voluntary benefit offerings, more emphasis on health and productivity programs, and a surge in programs promoting financial education.

As employers introduce automatic 401(k) enrollment and health savings accounts, they are providing employees with the tools, resources, and financial education to make better informed decisions on their own. As the government passes new legislative and regulatory provisions supporting employer and plan sponsors, employers will step up their efforts in this area.

Most surveys indicate that health insurance coverage remains a priority for employees; subsequently, the employment-based health care delivery system will continue. Although the delivery may be a mix of things, most employers will continue to pick up a healthy portion of the tab in order to compete for talent. Employers will continue to pay for this benefit while facing the never-ending challenge of balancing costs with an attractive benefits package in order to attract and retain a quality workforce.

An increase in voluntary benefits demonstrates the need for flexibility of choices enabling employees to select coverage options more relevant to their individual needs. Such voluntary benefits give employees the ability to access coverage at group discounted rates with little cost to the employer. The focus on more choice and flexibility in benefits program design and the growth in voluntary employee benefits is driven partly by the multigenerational workforce. Generational diversity has provided the impetus for

offering programs that meet the needs of different people at various life stages. More employers are exploring opportunities for phased retirement and other similar benefits in order to retain the knowledge workers they need to meet their business imperatives.

Cafeteria benefits have not been prevalent in the last decade or so, due to challenges in plan design and administration, execution and communication. However, the premise of choice relative to cost and ROI still holds merit today, and as employers and employees continue to balance the importance of choice and value in employee benefits, perhaps, a resurgence of these plans in some other form may emerge. HR technology continues to improve and in doing so continues to offer leverage in cost efficiencies and human resource information systems (HRIS) infrastructures. So-called “flex” benefits have started to gain some prominence in the U.K. At a recent Chartered Institute of Personnel and Development (CIPD) Annual Reward Conference, several speakers noted the rise in these types of benefit choices and how private medical insurance is becoming a bigger benefit in the UK.

### **External Influences on Benefits – Globalization, Economy, Competition**

The way we work is also changing in a global world, and this affects benefits design and delivery. According to a recent WorldatWork white paper, outsourcing benefits administration will increase and the efficient use of technology will advance.

In the U.S., benefits packages will surely be affected by legislation in 2008. There has been a lot of buzz in this year’s presidential campaigns regarding health care, paid leave, family leave, and retirement security. Examples include the recently proposed FMLA regulations and the continued guidance being released regarding provisions in the Pension Protection Act. In Congress, these very issues will continue to be discussed, and, of course, outcomes for social and other programs will be influenced by the ongoing political debate.

As worries intensify over a possible recession, benefit programs will be affected. Budgets will likely tighten and wage rates will slow and employers will look for ways to complement current benefit programs without increasing company costs. The workforce will continue to see an emphasis on health and wellness initiatives that address an individual’s overall health.

Difficulty attracting and retaining the best talent were top concerns for CEOs in separate recent surveys by Accenture and PricewaterhouseCoopers. At the same time, the value and importance of employee benefits remains high as evidenced by the Employee Benefit Research Institute’s *Value of Benefits Survey* and the *Health Confidence Survey*.

Employers need to stay focused on communicating to ensure that employees understand and appreciate their benefits. Total reward professionals will need to recommend and execute innovative, cost-effective strategies and program designs for benefits and total reward packages that bring about a return on their investment.

### **The Outlook for Benefits**

Human resource executives will work toward the goal of complementing benefit programs with minimal cost increases. To that end, expect to see a leveraging of the synergies that currently exist with work-life programs in the areas of health and wellness, financial support, dependent care, educational support, and paid and unpaid time off. We will also see career development opportunities as part of the overall value proposition. Employers will continue to explore strategies on how to design *and* deliver cost-effective programs with the flexibility to address both talent shortages and generational diversity.

### **About the Author**

Leonard “Lenny” Sanicola is the benefits practice leader for WorldatWork ([www.worldatwork.org](http://www.worldatwork.org)). He is a Certified Benefits Professional, Certified Compensation Professional, Global Remuneration Professional, Certified Employee Benefit Specialist, and Senior Professional in Human Resources. Prior to joining WorldatWork, Sanicola held various HR and corporate benefits positions at Doubletree Hotels, Crescent Hotel of Phoenix and Scottsdale Memorial Health Systems.

Media wishing to interview Lenny Sanicola may contact Marcia Rhodes at 480.304.6885 or [Marcia.Rhodes@worldatwork.org](mailto:Marcia.Rhodes@worldatwork.org).