



Benefits and Trends Survey 2019

Contents



Introduction

Our Benefits and Trends Survey is now in its ninth year and we again draw on the responses of more than 200 participants across a broad range of sectors, representing employers with fewer than one hundred employees to those with many thousands. This year we have introduced a number of new questions in line with emerging trends such as changing workforce demographics, the differing needs and expectations of generations and changing policies for the various forms of parental leave and pay. The report now covers the following key areas:

- » Benefits strategy and Employee Value Proposition (EVP)
- » Online and flexible benefits
- » Demographic and generational trends
- » Benchmarking of holiday, parental leave and flexible working policies
- » Healthcare and risk benefits
- » Engagement and communications
- » Workplace pensions and financial wellbeing

In this report we guide you through the key findings and offer expert analysis of what the results mean for the industry as a whole and for your own benefits strategy, including:

- » The strategic objectives for benefits – and their effectiveness
- » How strategies are evolving to meet changing employee demographics
- » Assess whether wellbeing remains just a good discussion point or whether decisive actions are now being taken
- » The importance of communication
- » Whether employee financial wellbeing is the responsibility of the employer



Benefits Strategy and Employee Value Proposition

Key Findings

This year we were interested in how employers are approaching their benefits strategy on a global basis and whether a wider view is being taken of the “Employee Value Proposition” (EVP) (i.e. the whole employee experience of working for an organisation) rather than just the benefits package.

Almost three quarters of our respondents have employees in more than one country (Question 1) and there appears to be a strong trend in operating a single global benefits strategy or guiding principles (Question 2). In total, 72% say that they either already have a single strategy or are working towards it. However, the use of technology to deliver this seems to be lagging behind, with only 13.5% saying they have a single global benefits platform (Question 3). The future looks a little brighter though with over a quarter already working towards this objective.

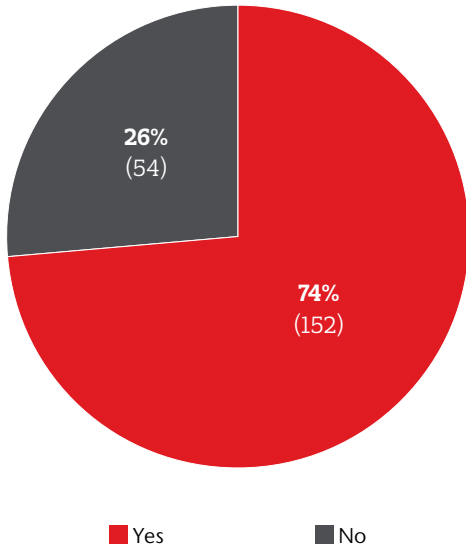
Our experience during 2018 has been that many organisations have become more joined up in designing and managing their benefits in the context of an overall EVP. However, they are still in the minority for the moment, with only around a quarter having established a clear EVP (Question 5), which is unchanged since our 2018 survey. But there are definite signs of a significant shift in this direction with half of all respondents planning to develop one, up from 16% last year.

Somewhat surprisingly, almost a third of those with an EVP don't actually communicate it to employees (Question 6). Yet the overwhelming view is that the EVP has a positive impact on employee engagement, recruitment and retention (Question 7).



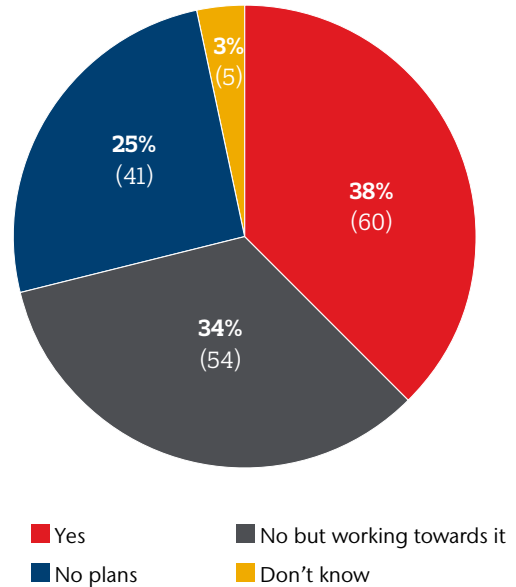
Question 1

Is your company international (i.e. employs people in other countries)?



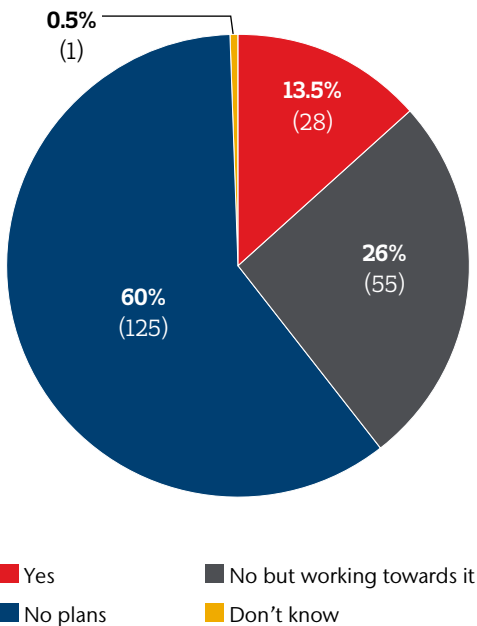
Question 2

If yes, do you have a single global benefits strategy or guiding principles?



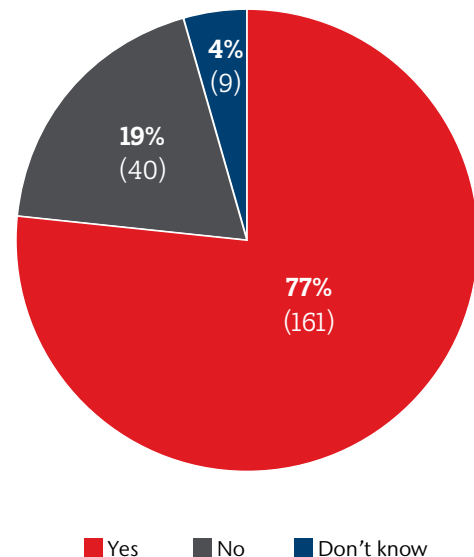
Question 3

Do you manage your benefits using a single global benefits platform?



Question 4

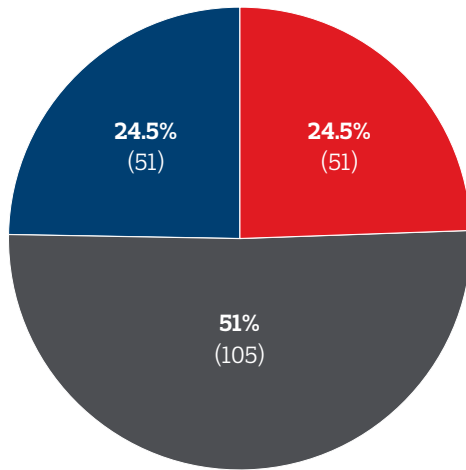
Do you benchmark your benefits with your peers?



Almost three-quarters of companies employ people in more than one country and, of those, 72% either already have, or are working towards, a single global benefits strategy. Far fewer use a single global benefits platform to manage benefits, with 60% having no plans to do so.

Question 5

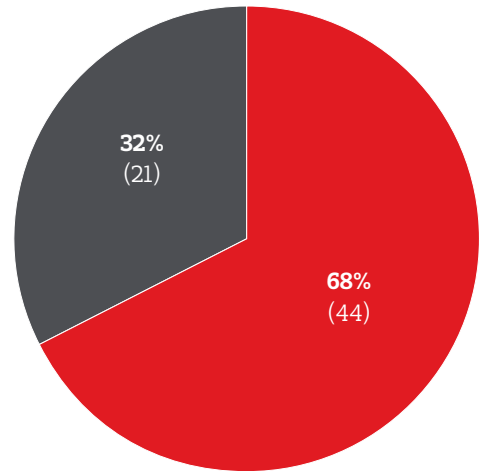
Do you have a clear Employee Value Proposition (EVP)?



■ Yes
■ No, but planning on developing one
■ No plans to develop

Question 6

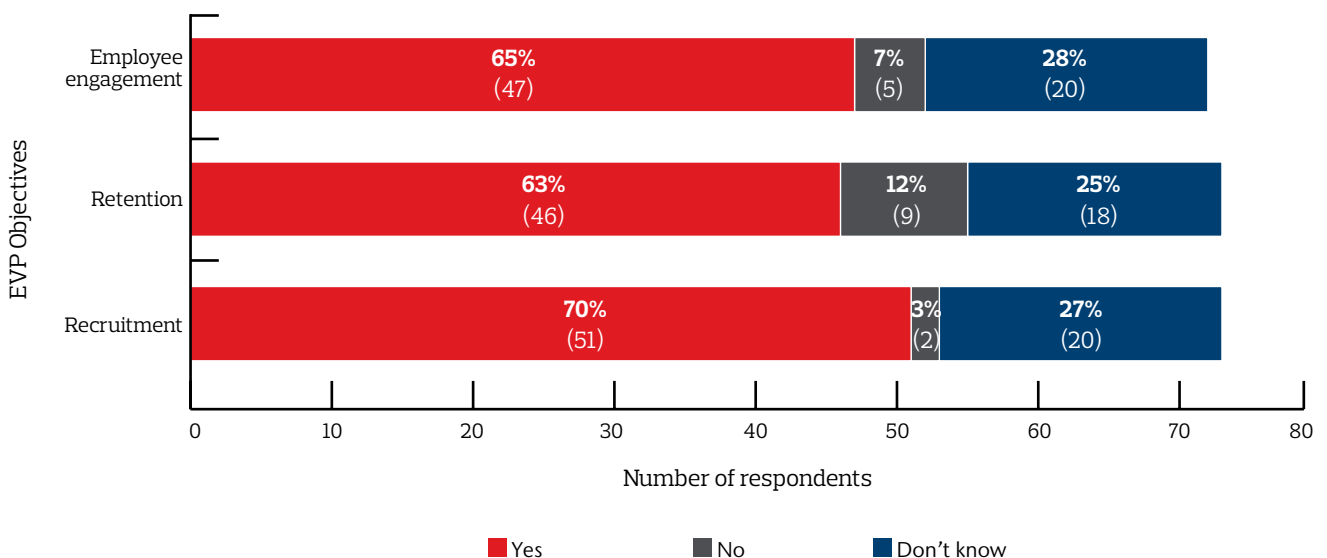
If yes, is the Employee Value Proposition communicated and explained to employees?



■ Yes
■ No

Question 7

Do you believe your Employee Value Proposition has a positive impact on:



Relatively few companies (24.5%) say they have a clear EVP, but 51% are now planning on developing one – a significant increase on the 16% who said they had plans to develop an EVP in last year's survey. Most believe that their EVP has a positive

impact on employee engagement, retention and recruitment, yet almost a third of respondents say they don't communicate and explain their EVP to employees.

Benefits Strategy and Employee Value Proposition

The Aon View

Over 75% of respondents report that they benchmark their benefits with their peers (Question 4). We have seen a great deal of interest in employers also benchmarking their whole approach and strategy for benefits (through Aon's Benefits Score) and, given the results above for global strategies and wider EVP, it would be surprising if these didn't become more embedded in organisations' HR strategies.

In terms of overall benefits strategy, employee engagement is the number one objective for almost 90% of organisations, with retention and recruitment continuing to jockey for second and third positions. Cost management (2019 67%, 2018 55%) and market positioning (2019 46%, 2018 31%) have increased in importance since last year (Question 11).

However, the levels of success in achieving these objectives seem a little muted. Although just over half say they are "somewhat successful", fewer than 10% say they are "very successful" and 14% do not measure success at all (Question 12). This probably ties in with employers reporting their biggest challenge to be communicating with employees (Question 10). When one looks at the level of budgets (or lack of) made available for communications (Question 48) and the fact that easily the most common form of communication is email (Question 52), maybe this isn't too surprising.

Given the emerging employee priorities around flexibility, diversity and inclusion, mental health and financial education, new (and more effective) communication strategies will almost certainly be required.



Online and Flexible Benefits

Key Findings

This year we were particularly interested to join the dots between organisations' strategy and EVP with the effectiveness of flexible benefits. Almost half (45%) of respondents already have flex and a further 20% are planning on introducing a scheme within the next three years (Question 8). This compares with last year's 37% with flex and a further 26% planning to introduce it.

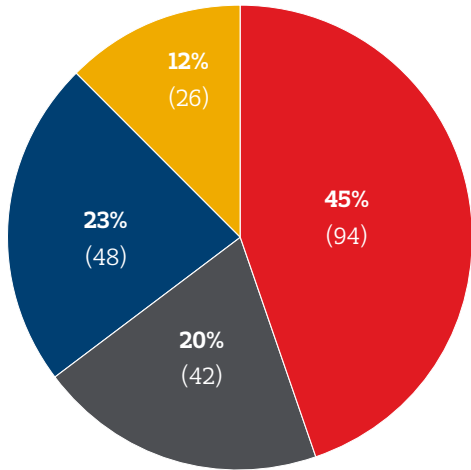
The results show that the main measures of success from an employee engagement perspective continue to be around employees actively selecting benefits or how many clicks are recorded on the portal. Relatively low down the list is whether employees say positive things about their experience. These results are little changed from last year (Question 9).

The challenges that employers face with their flex schemes has also remained consistent with previous years, with by far the biggest challenge being communicating with employees (Question 10).



Question 8

What is your current situation in regards to online benefits?

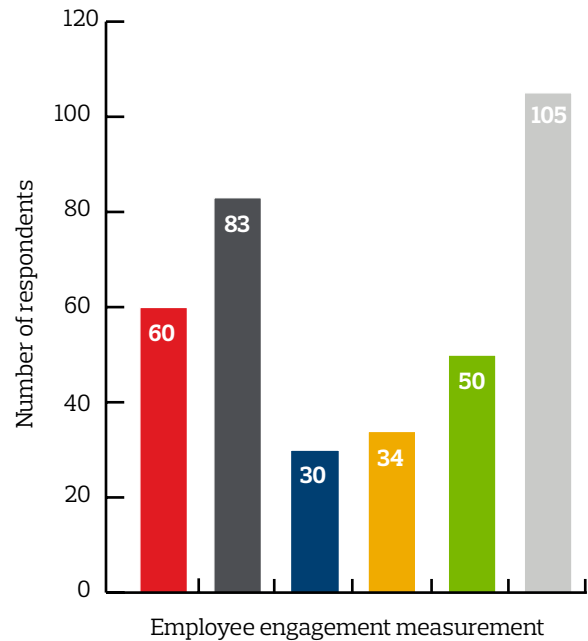


- We have already introduced an online benefits/flex portal
- We will be introducing in the next three years
- We have no plans to introduce online/flexible benefits
- We offer Voluntary Benefits only

This year 45% of respondents say they already have an online benefits or flex portal, with a further 20% saying they plan to introduce one within the next three years.

Question 9

Thinking about employee engagement with your online/flexible benefit portal, do you typically measure this via one or more of the following?



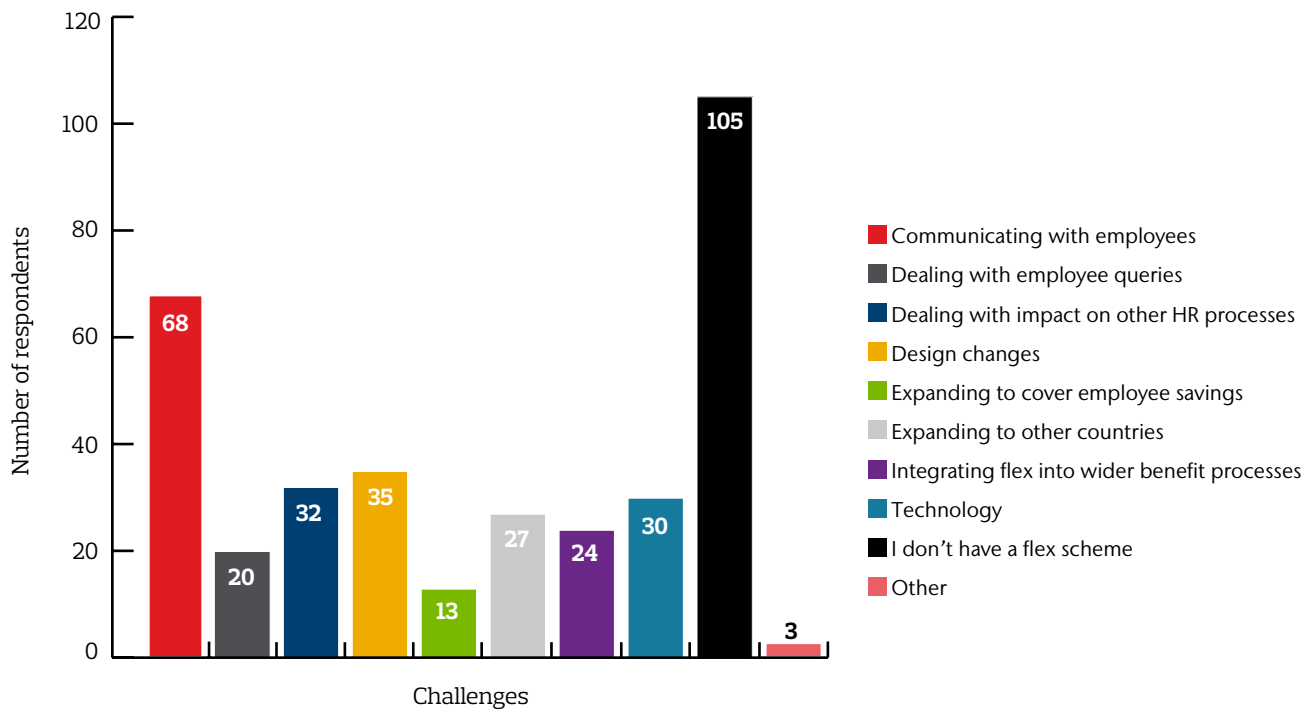
- Employee clicks on the portal
- Employee selects a benefit
- Employee returns back to select more benefits at subsequent opportunities
- Employee gives positive account of experience and recommends to others
- Employee engagement is captured and measured via a wider corporate engagement survey
- Don't have online/flexible benefits

The measures of engagement are very similar to last year's survey with benefit selections and portal clicks being the most common. We would like to see more of a "hearts and minds" aspect to this through positive feedback i.e. measuring the emotional impact rather than activity.



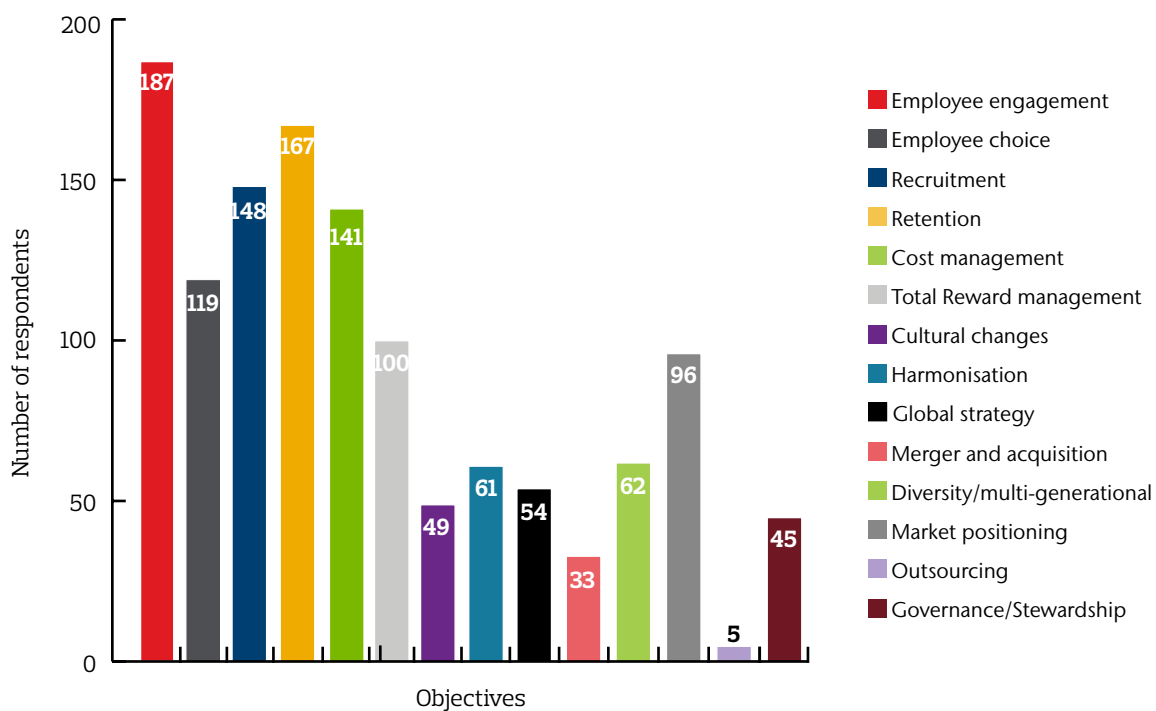
Question 10

What are the three top challenges you face in respect of your flex scheme?



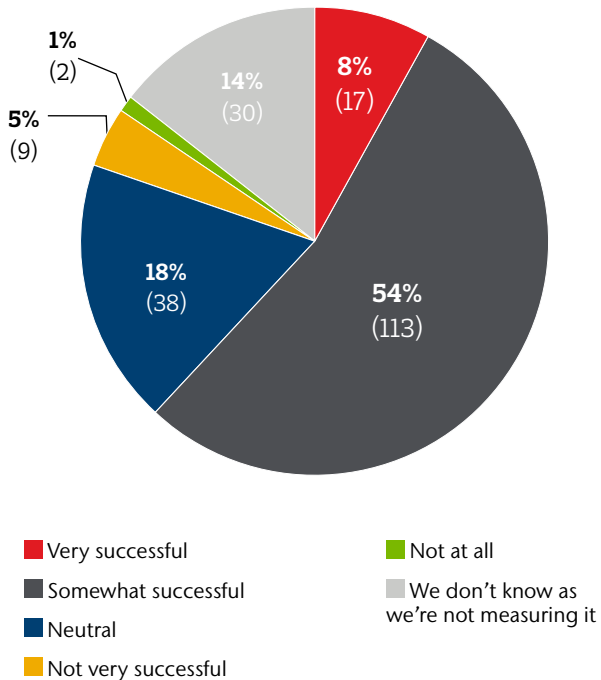
Question 11

In terms of your benefits strategy, which of the following objectives apply to you?

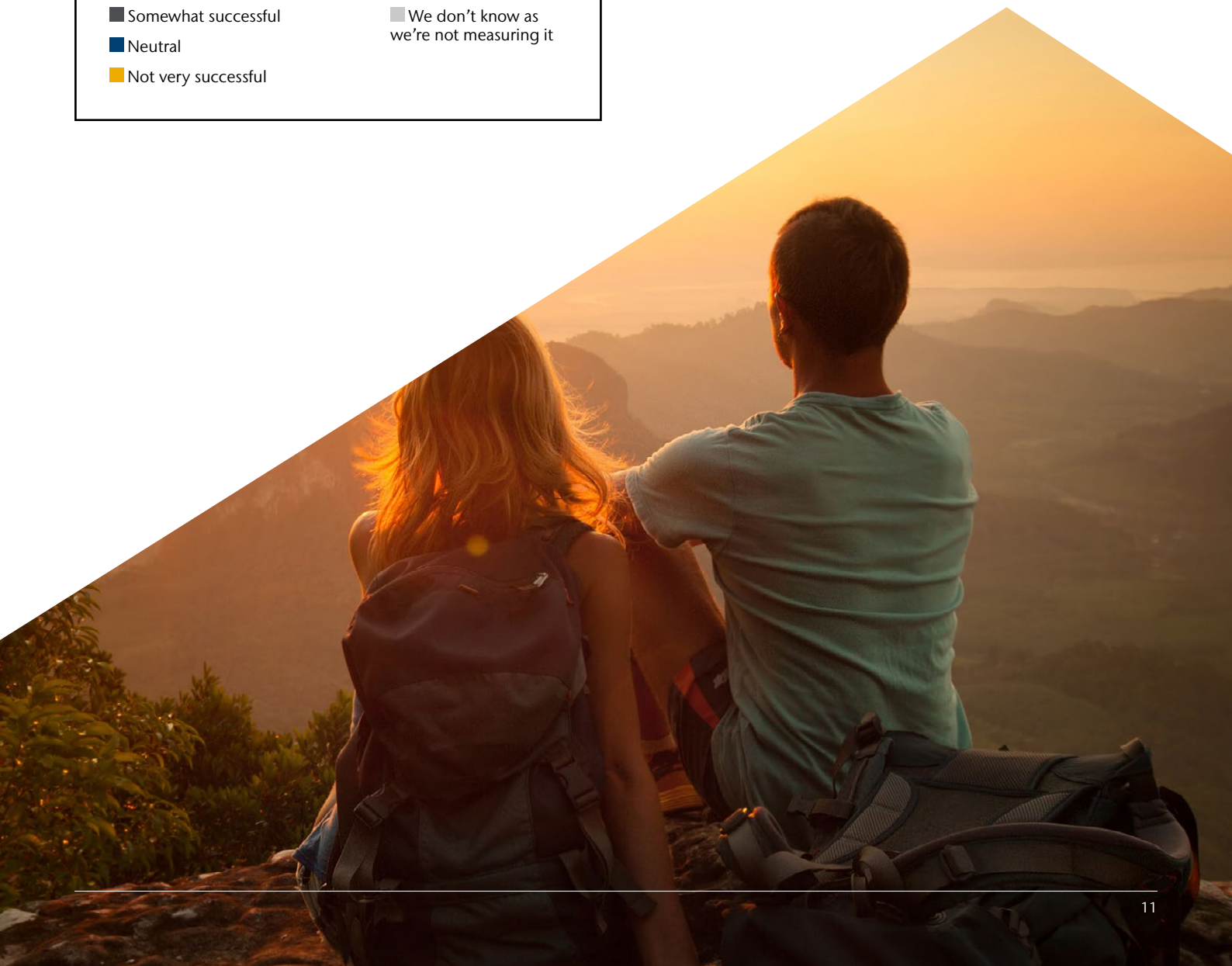


Question 12

Thinking about these objectives, how successful has your benefits strategy been in achieving these?



By far the most common challenge that employers face with their flex scheme is communication (Question 10) – a theme that we see running through several aspects of this survey. Most organisations want their flex plans to positively impact employee engagement, retention and recruitment – which one would expect to require good communications and “marketing”. However, fewer than 10% say they are “very successful” in achieving these objectives. This could well be linked to the lack of budget assigned for communication – and how that money is spent - as revealed later in the survey.



Online and Flexible Benefits

The Aon View

The prevalence of flexible benefits continues to grow and has certainly not been affected by 2017's OpRA regulations. The growth is probably now taking place in the medium-sized companies space – around 200 to 1,000 employees – since the costs of technology and ongoing management have become much more realistic.

But there still seems to be a bit of a disconnect between changing strategic priorities and how organisations measure success. Our survey results show a move towards a wider EVP and the need to meet the changing needs of both the organisation and employees (through demographic changes). And there is an acknowledgement that while employee engagement is the most important objective, communicating with employees is the biggest challenge. The facts remain that most organisations have very little budget specifically set aside for communications (Question 48); the most frequently used communication medium is email (Question 52) and success is measured by clicks on websites (Question 9).

When advising our clients, we often draw on the analogy of marketing a consumer product: know your customer, understand what they need/want, create the right product, make it easy to access and market it! As employers, our customers are our employees and our product is the EVP. We want them to choose our product (join us), keep buying (stay) and be an advocate of the company (say great things).

This survey has found that almost all respondents agree that their benefits package needs to change to meet the current and future needs of their employees (Question 15) and that there is room for improvement in successfully meeting their objectives for benefits and employee engagement. One of the major missing ingredients is marketing – or communications. Back to the analogy, if you don't spend on marketing your product then it simply won't sell.



Demographic and Generational Trends

Key Findings

This is a new section this year and the results confirm our view of emerging trends around how the nature of businesses is changing – resulting in new roles with different demographics – and that as employee demographics naturally change, so too do their needs and expectations in the workplace.

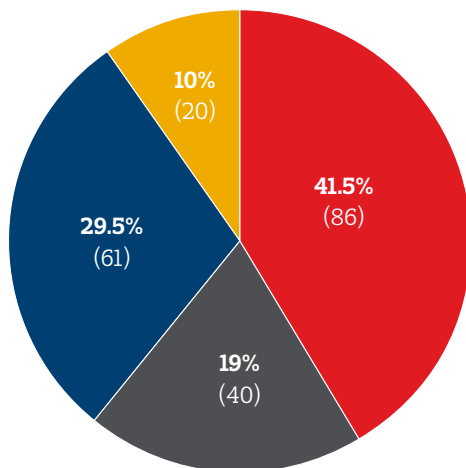
The results clearly show that the majority of respondents' organisations have either already undergone fundamental change or expect to in the near future (Question 13). Organisations are therefore competing for non-traditional employees against non-traditional competitors. And they acknowledge that their current benefit programmes are not set up to meet the needs of those people (Question 14).

In addition, over 95% of respondents agree that employees' expectations of their work experience are changing (Question 16), with flexible working hours, agile working, mental health, diversity and inclusion and parental leave being the priorities for most employees (Question 17).



Question 13

Is your business changing to the point where you are now competing for talent within different market sectors (e.g. competing with technology companies whereas traditionally competed within retail)?

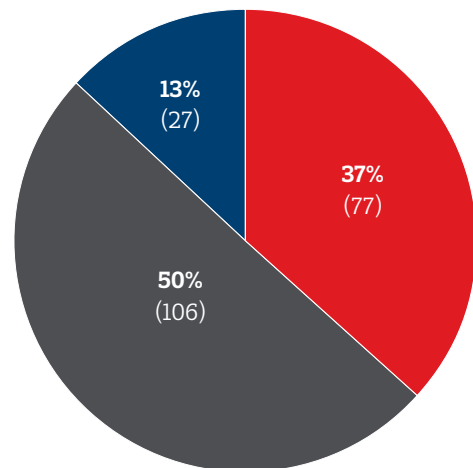


- Already changing
- Expect to change within the next five years
- Not changing
- Don't know

Change seems to be a common factor in most organisations, with over 60% saying they are now, or expect to be, competing for talent in different market sectors. Often this means that the demographics of the organisation change – and half of our respondents already say that their current benefits do not meet the needs of all generations. Furthermore, almost 90% believe they will need to change their benefits offering to meet the needs of future generations.

Question 14

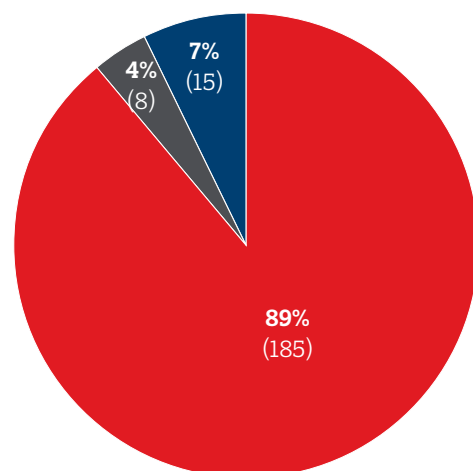
Do you believe your benefits are meeting the needs of all generations within your workforce?



- Yes
- No
- Don't know

Question 15

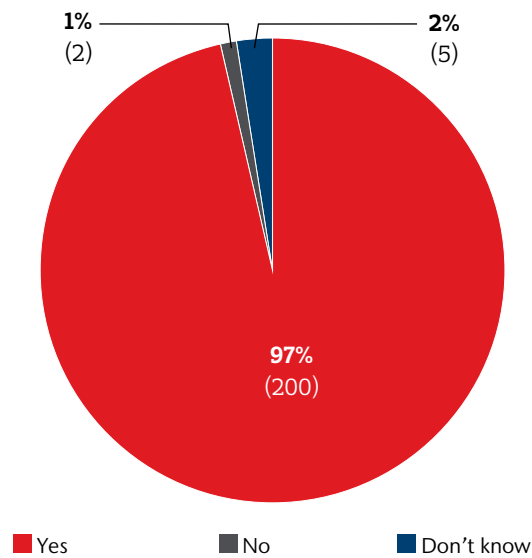
Do you believe you will need to change your benefits offering to meet the needs of future generations entering the workforce?



- Yes
- No
- Don't know

Question 16

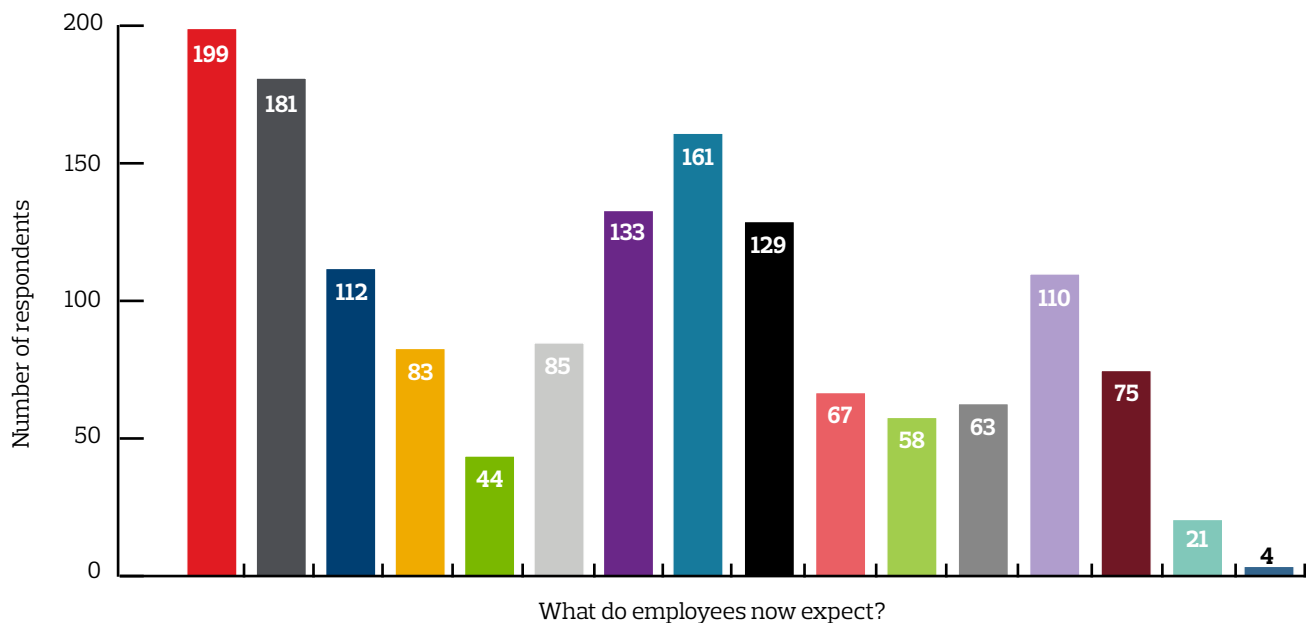
Do you think employees' expectations of their work experience are changing?



Employees' expectations of the work experience seem to be changing rapidly, and a huge 97% of companies agree with this. People are now demanding more flexible working hours/ home working, more awareness (and, importantly, handling of) mental health issues, better support for parents and better approaches to diversity and inclusion. Certainly, in the cases of mental health, diversity and inclusion (and we can probably add "environment" to this), this is more of a demand to show action rather than having fine words. Financial education is also now appearing strongly.

Question 17

If yes, what do employees now expect?



- | | | |
|---|--|---|
| More flexible working hours | Better approach to diversity and inclusion | Help with debt management/consolidation |
| Agile/home working | Better awareness and handling of mental health issues | Access to financial education |
| Casual dress code | Improved maternity, paternity and parental pay/leave/return to work policies | Increased volunteering opportunities |
| Free snacks/fruit/drinks | Emergency childcare support | Concierge service (help with chores, laundry, shopping etc) |
| Games (table tennis, pool etc) in workplace | Emergency eldercare support | Other |
| Mindfulness/resilience classes | | |

Demographic and Generational Trends

The Aon View

It seems that barely a day goes by without a news article or opinion about “the problem with Millennials”. In reality, Millennials are unlikely to be fundamentally different human beings than any other generation. However, there are external factors that differ and continue to change, so the issues that one generation faces are often quite different to the generations before and after them. For example, Baby Boomers largely enjoyed final salary pensions and are likely to be relatively much better off in retirement. Owning one’s own home is much less common among 25-34 year olds, especially in London. And the “sandwich generation” is emerging with people having caring responsibilities for both their children and their parents. Even the health issues affecting each generation have gradually changed.

Organisations are changing too. For example, many businesses have become much more reliant on technology, with the consequence that the roles that need filling, the types of people who fill those roles and the organisations firms are competing with for talent are all changing. Over 60% in our survey say that their businesses are either already changing or are expected to change in the next five years (Question 13), meaning that they will have to compete for talent in new market sectors.

That will often mean that employee demographics will also shift. But exactly 50% of respondents say that they don’t think their benefits are meeting the needs of all generations in their workforce (Question 14). Not surprisingly therefore, 89% say that they think they will have to change their benefits offering to meet the needs of future generations entering the workforce (Question 15). That need is almost certainly an immediate one given the combination of organisational change, changes to the demographic mix and an acceptance that benefits packages are already inadequate to meet everyone’s needs.

When we wrote the questions for this survey we had a hunch that, more than ever before, employees’ expectations of their overall work experience (the EVP) are changing. And so it proved, with a huge 97% of respondents agreeing (Question 16).

The main feature of those changing expectations is around flexible working: 98% said employees now expect more flexible working hours and 89% said they expect agile/home working to be available. Making up the rest of the top five changes are better awareness of mental health issues (which we’ll come onto later), better approach to diversity and inclusion and improved maternity/paternity/parental leave policies. Access to financial education also features for more than 50% of respondents and, again, is covered later in this report (Question 17).



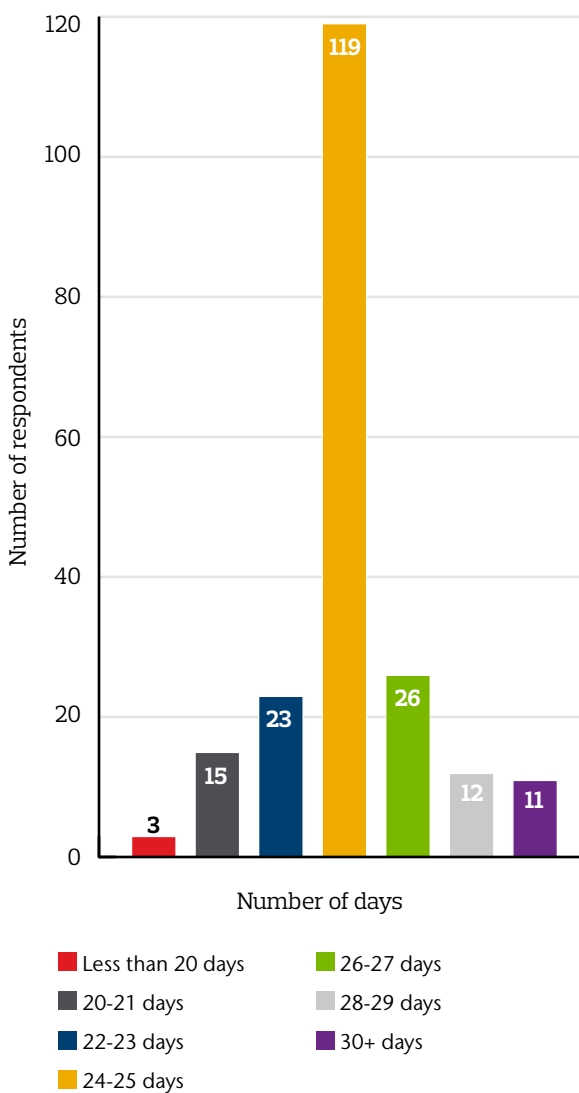
Benchmarking of holiday, parental leave and flexible working policies

Key Findings

Another new section this year looks at trends in various leave policies. This was prompted by the many requests we have received from clients regarding maternity, paternity and parental leave and employees' shifting expectations regarding more flexible working practices.

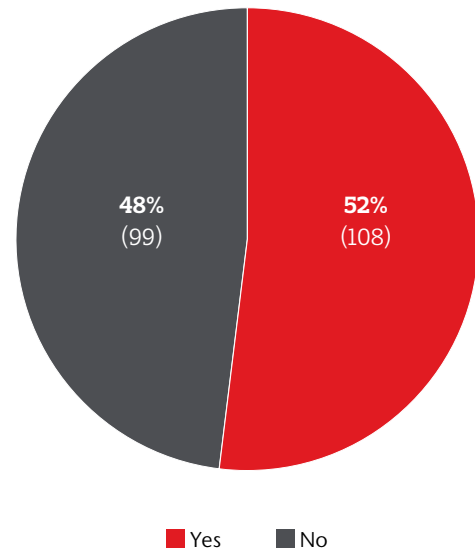
Question 18

How many days of annual leave (not including bank holidays and any service-related days) do you provide for the majority of employees?



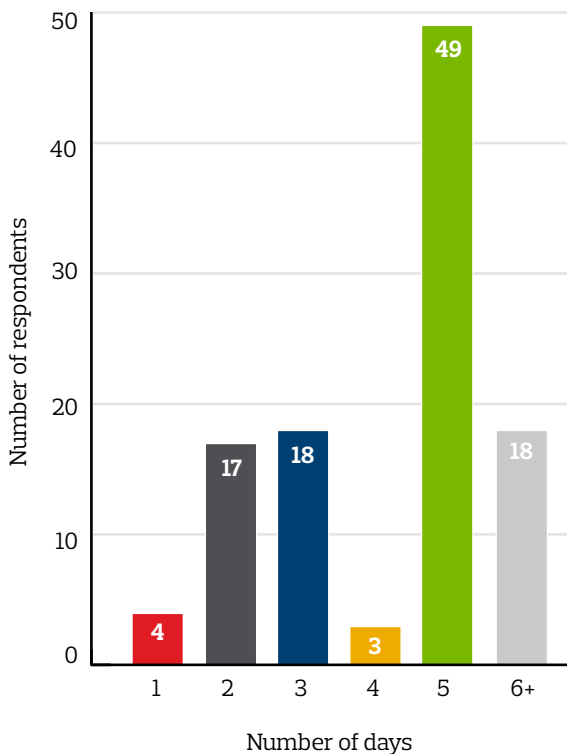
Question 19

Does the firm offer increasing holiday entitlements related to service?

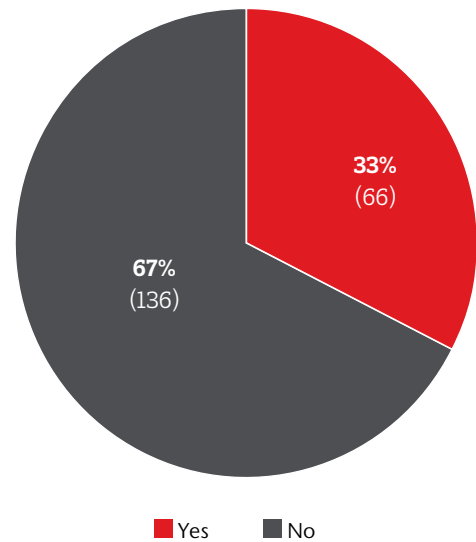


Question 20

If yes, what is the maximum number of additional service-related days you provide?

**Question 21**

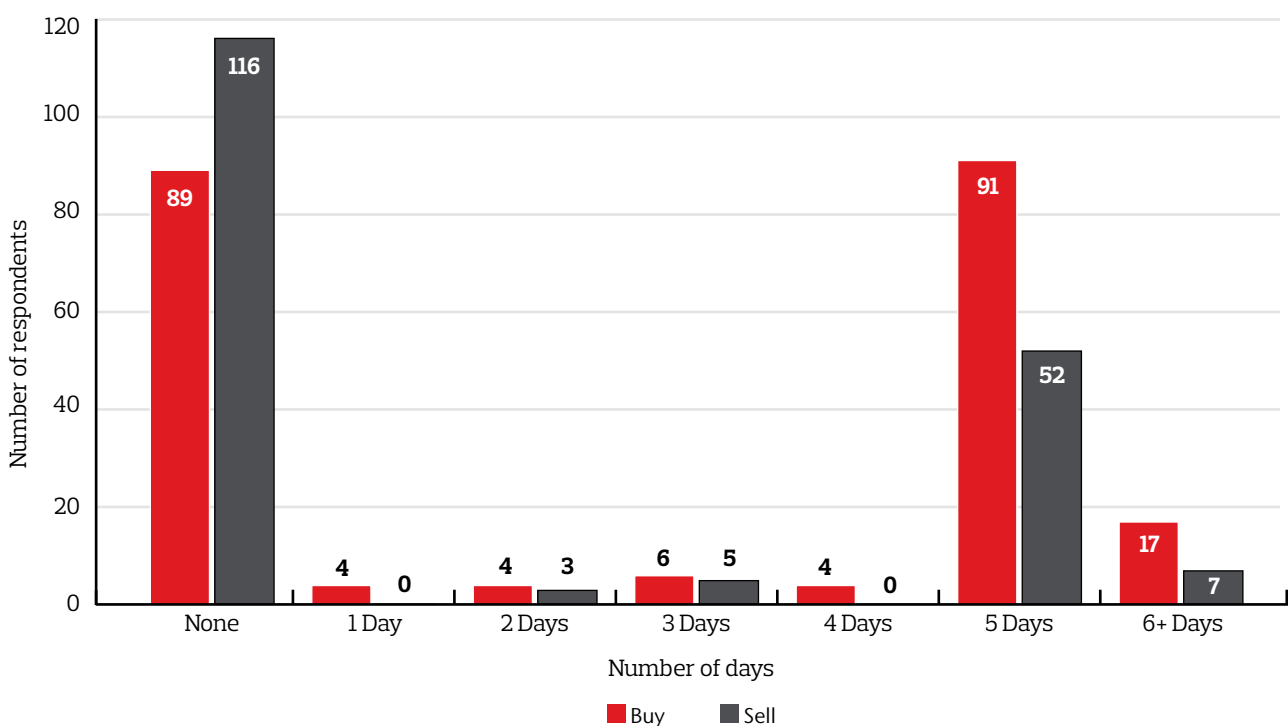
Do you provide higher levels of annual leave days based on seniority?



Annual leave provision is overwhelmingly set at around 25 days (plus public holidays) as a basic entitlement (Question 18). Just over half of organisations provide additional service-related days, (Question 19) most commonly up to an extra five days, making 30 days in total. Around half also allow employees to buy additional days, usually an extra five days, and only one third of employers provide more holidays based on seniority.

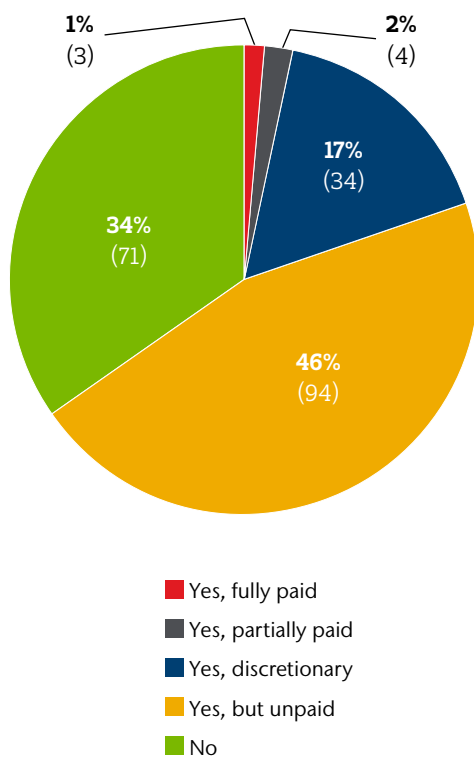
Question 22

How many days of holiday does the firm typically allow employees to buy/sell?

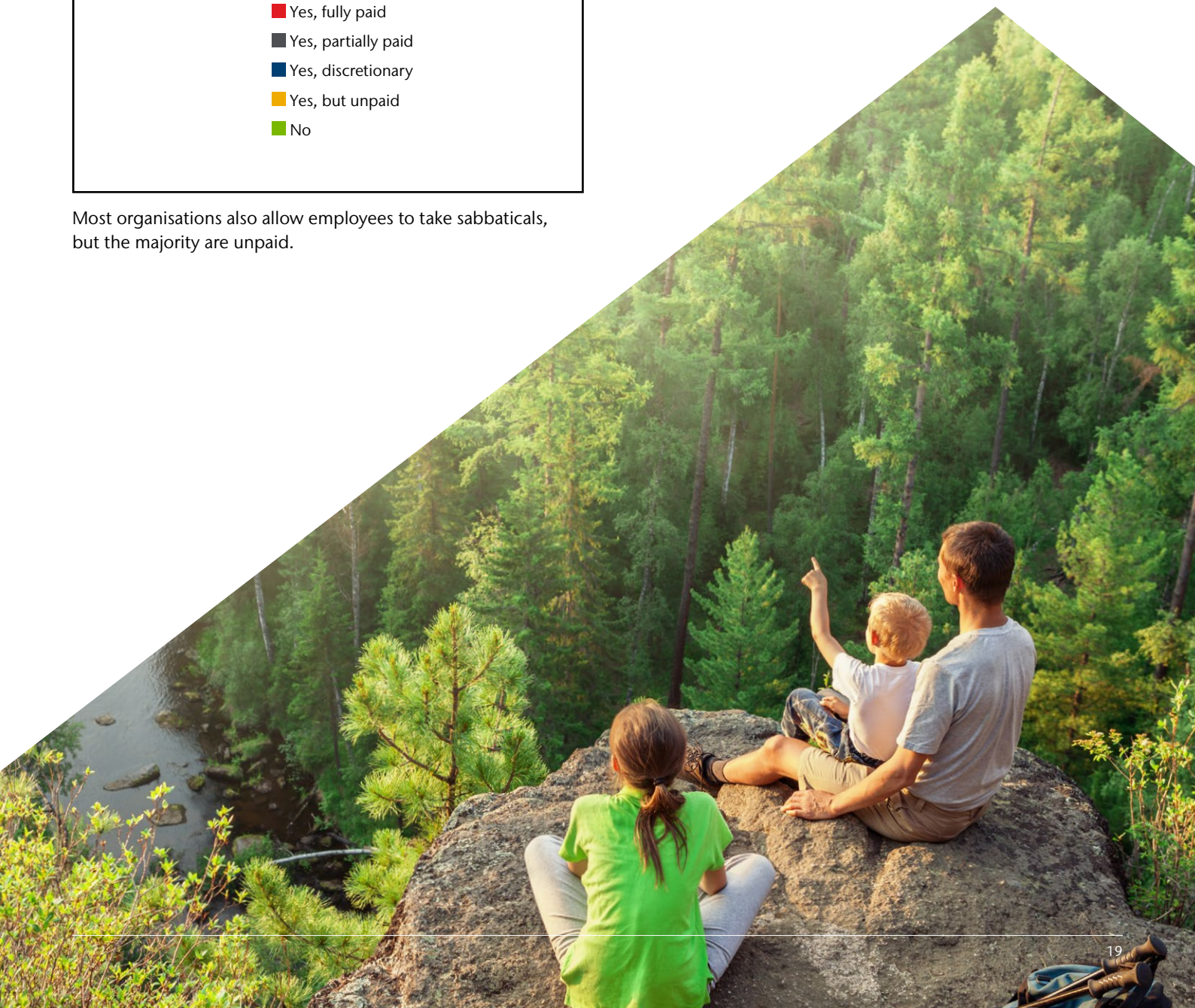


Question 23

Does the firm permit sabbaticals?

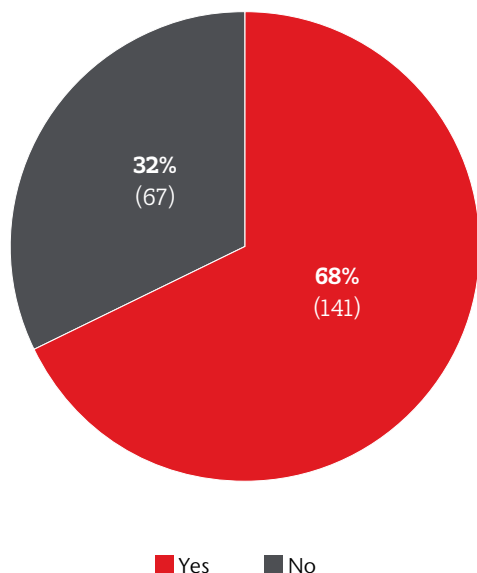


Most organisations also allow employees to take sabbaticals, but the majority are unpaid.



Question 24

Does the firm provide additional money above statutory requirements for maternity leave?



The results for maternity pay reveal that just over two thirds of employers provide enhanced maternity pay. During the first six weeks of maternity pay, 80% of all survey participants enhance pay to 100% and most of those also continue to pay at 90% or 100% for up to 12 weeks. (Note that this assumes that participants submitting a nil return are paying the statutory level of maternity pay.) The figures tail off between weeks 13 and 26, but there are still a significant number continuing to pay either 100% or 50% of salary during this period. Beyond 26 weeks the vast majority return to paying Statutory Maternity Pay (SMP) only.

Question 25

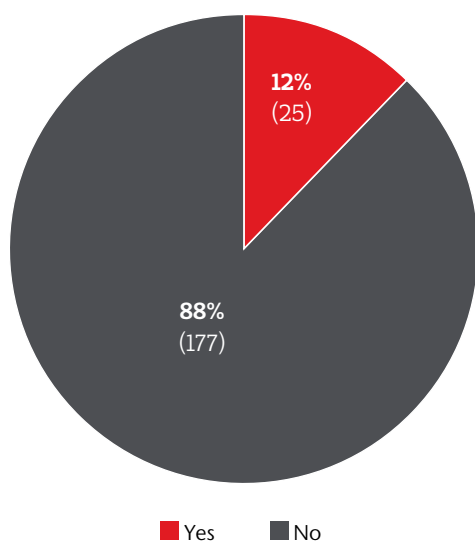
Percentage of salary typically paid (if over statutory minimum) during the period of maternity leave:

	1-6 weeks	7-12 weeks	13-18 weeks	19-26 weeks	27-39 weeks	40-52 weeks
0%	18	25	56	93	143	154
10%	0	1	0	0	1	1
20%	0	0	0	0	0	0
30%	0	0	1	1	1	0
40%	0	0	0	0	1	0
50%	0	15	34	27	11	4
60%	0	0	0	0	0	0
70%	0	4	5	2	1	0
80%	0	1	3	2	0	0
90%	15	9	6	4	2	1
100%	128	106	56	32	1	1

Total respondents: 161

Question 27

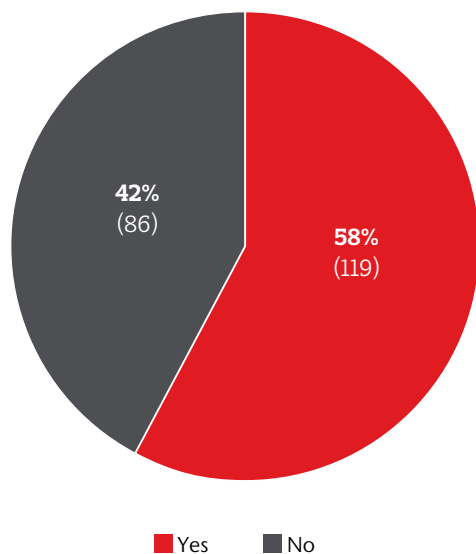
Does the firm make return to work payments?



Only 12% provide return to work payments, although we expect that this is an area that will receive more focus in the coming years.

Question 29

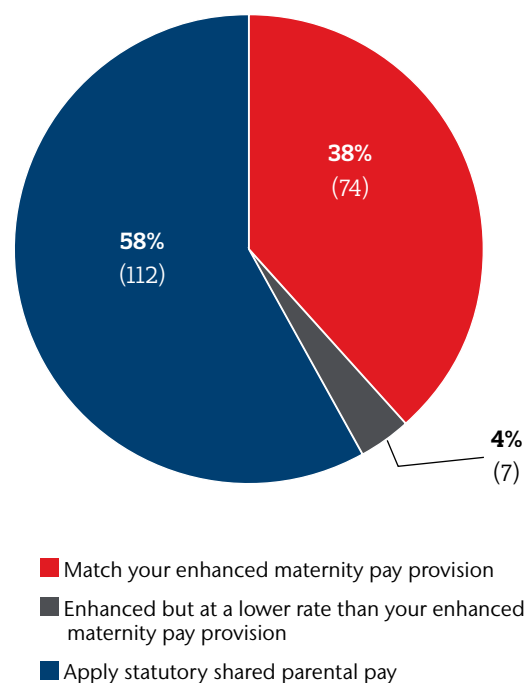
Have you had requests for shared parental leave?



Over half of employers have received requests for shared parental leave and the majority of firms provide statutory levels of pay. However, almost 40% replicate their enhanced maternity pay provisions.

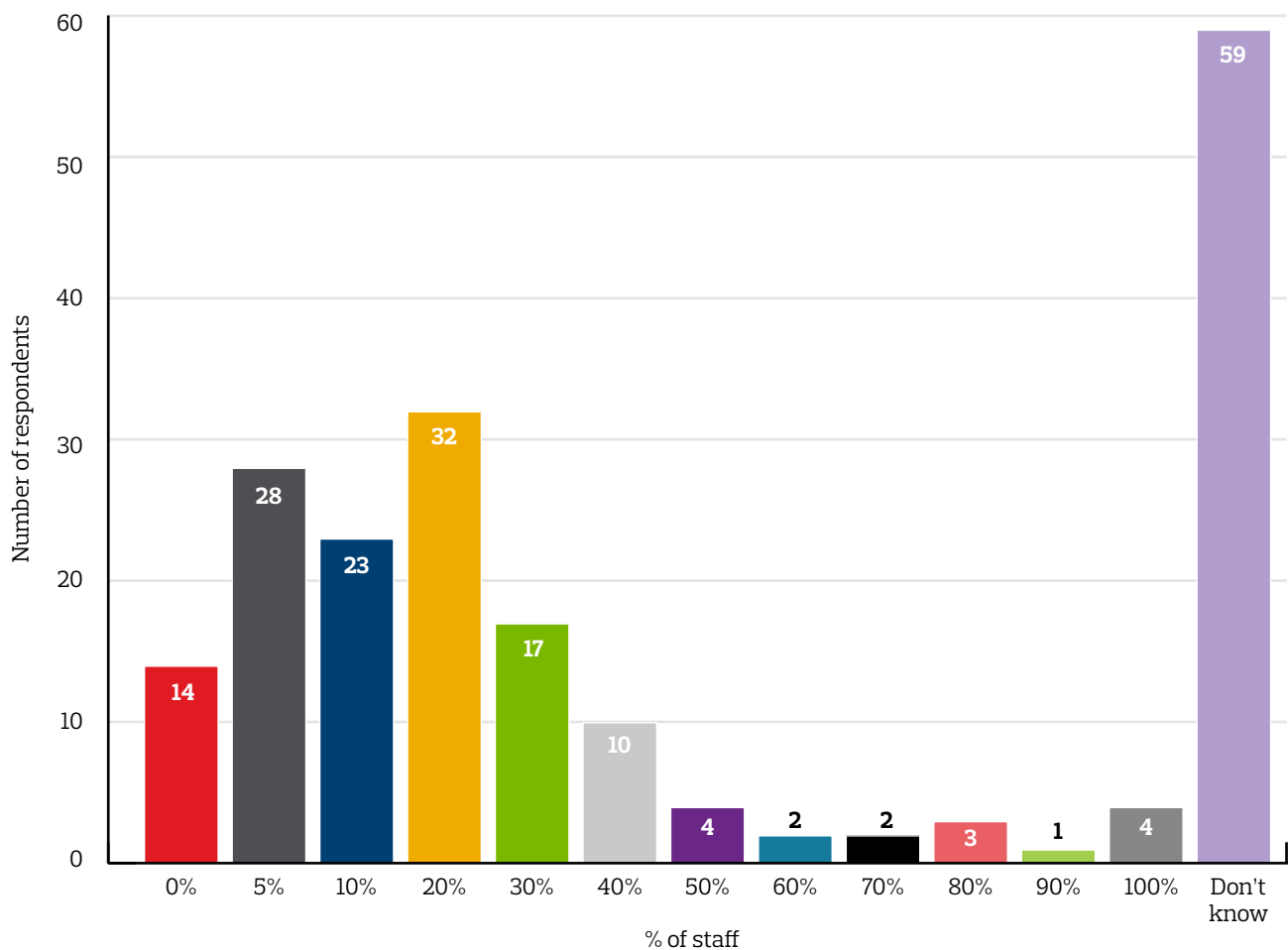
Question 30

What is your policy for shared parental pay?

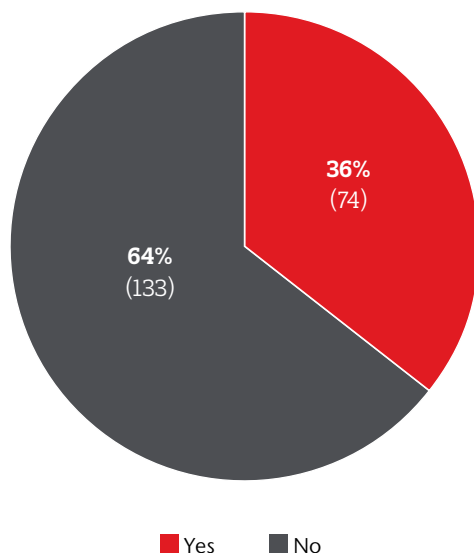


Question 31

What % of staff utilise flexible working arrangements?

**Question 32**

Do you have an agile working policy?



As emerged in the earlier section on employees' changing expectation, flexible working has become a major issue. Almost one third of our respondents don't know how many requests have been made for flexible working but, of the rest, it is common for around 20% of employees to make a request. Over a third of employers also have agile working policies and this is another area that we expect will increase in popularity where business requirements allow.

Benchmarking of holiday, parental leave and flexible working policies

The Aon View

This is the first time we have included these questions in our survey so it is acting as our benchmark. Our experience with clients in recent years is that many have, or will be, reviewing policies around maternity and parental leave as well as flexible and agile working practices. As well as providing more enhanced maternity pay, we are seeing organisations looking at how they can help parents return to work, for example through phased return to work.

Annual leave entitlement is unlikely to move very much from the current norm of 25 days (plus public holidays) (Question 18), although we would expect a slow decline in organisations providing additional leave based on grade or service in favour of treating all employees equally (Questions 19 and 21). But the increasing prevalence of flexible benefits – and those offering more limited flexibility – will allow more employees to vary their annual leave entitlement to better match their personal circumstances.



Healthcare and Risk Benefits

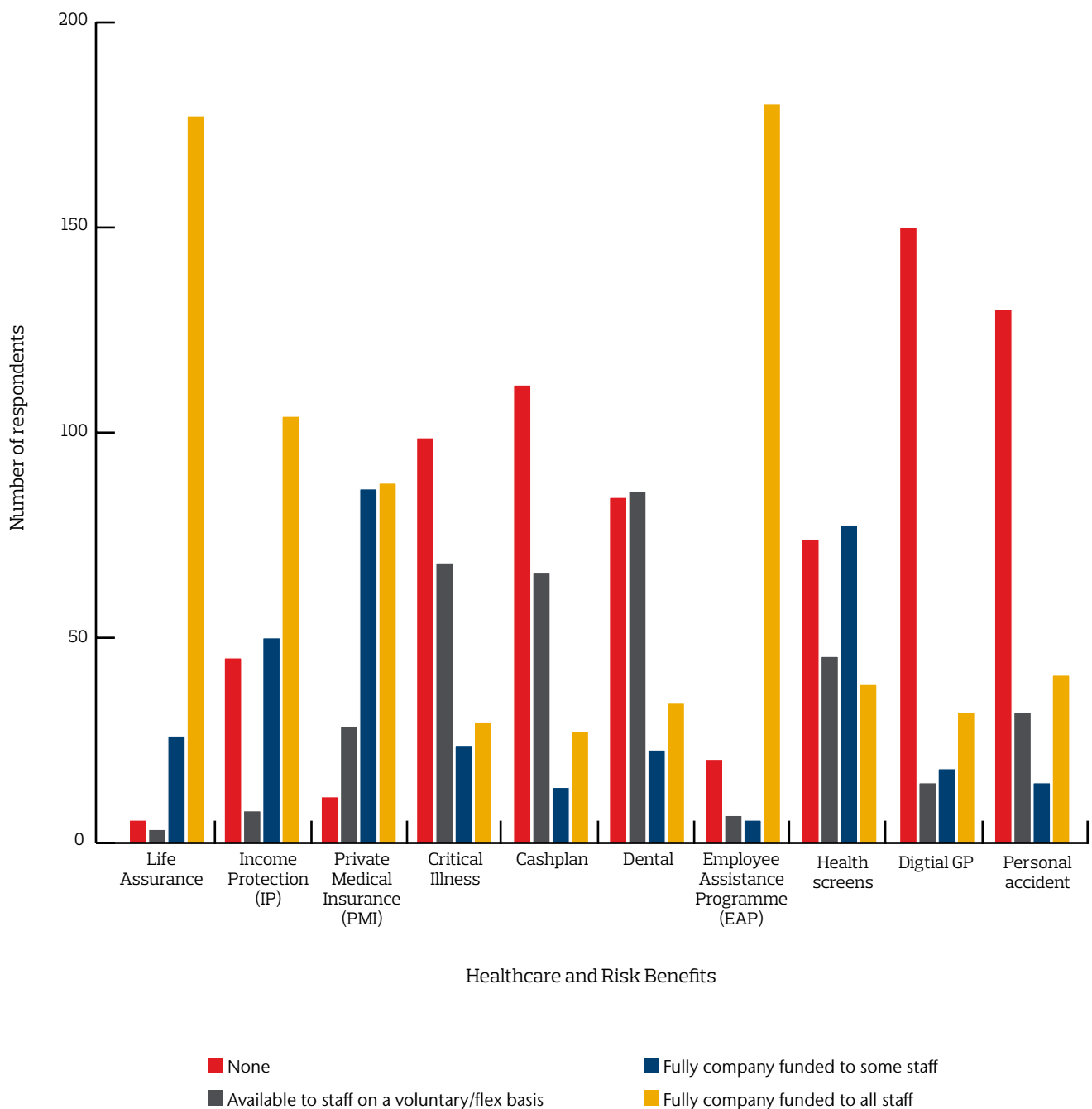
Key Findings

In this section, the survey looked at what health and wellbeing benefits organisations already offer, the changes they have made to their offering and what they plan to change in the future. Extra focus has been placed this year on how employers go about aligning their health and wellbeing strategy with key business risks and where spend is being directed.



Question 33

Which of the following employee benefits are available to all/some of your workforce?

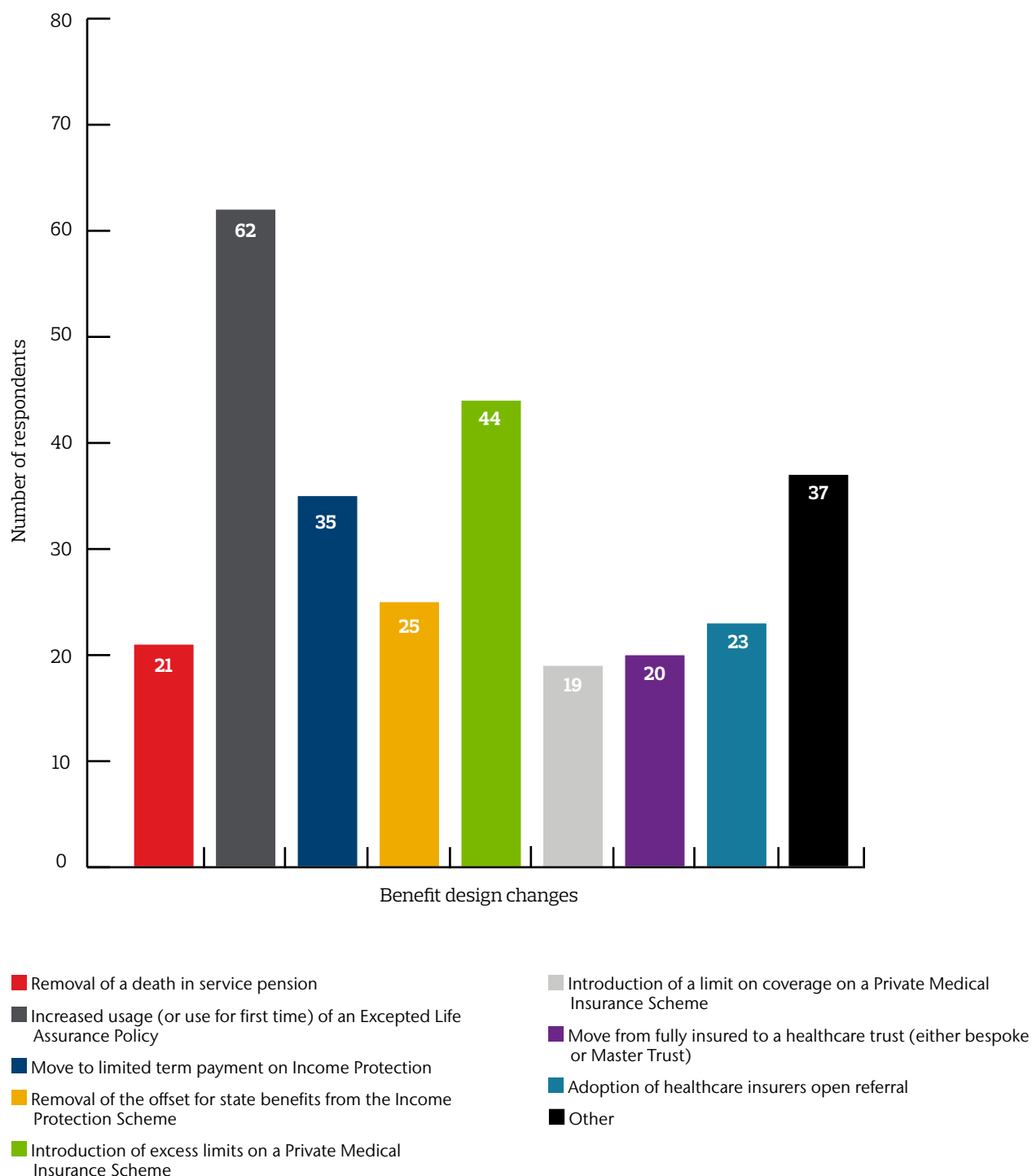


The three traditional pillars; Life Assurance, Income Protection (IP) and Private Medical Insurance (PMI) of the health and risk benefits programme remain the dominant company funded benefits, with Life Assurance in particular being provided by the majority of employers. Cashplan, Dental and Critical Illness remain the most popular additional benefits to be offered on a voluntary basis via a flex programme. The high levels of employers now providing an Employee Assistance Programme

(EAP) to their employees is a testament to the vibrant EAP market and also the number of risk and healthcare providers now including a quality EAP as a standard part of their insurance offering. The key challenge to employers here will be for them to drive full value from this important service through effective communication and integration within a robust mental health pathway.

Question 34

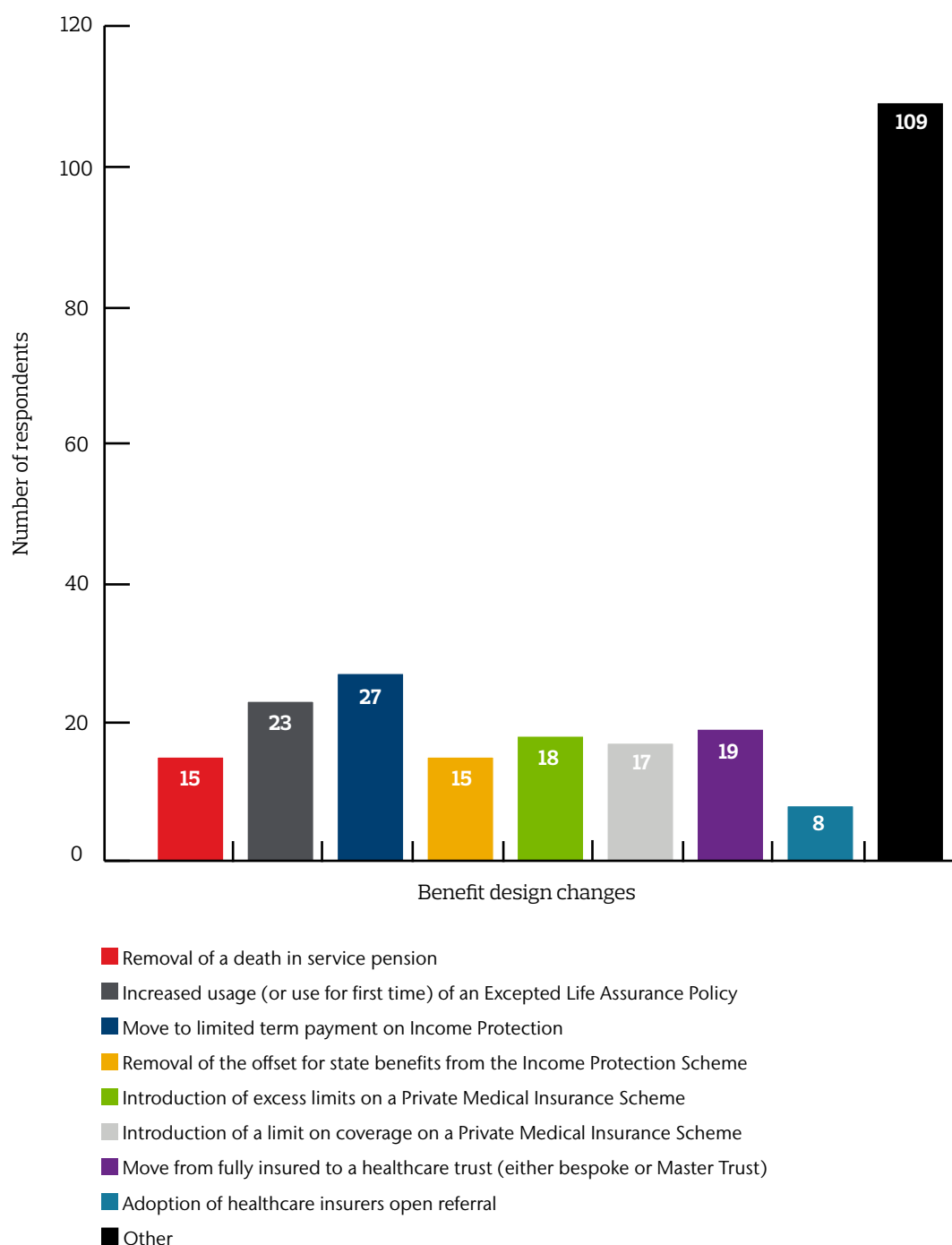
What benefit design changes have you actioned over the past five years on your risk and healthcare benefits?



The utilisation of Excepted Life Assurance cover to mitigate potential tax charges on death in service payouts continues to be adopted on an increasingly frequent basis at 39% this year, although specific design choices vary from client to client (see our 2018 EGLP Survey).

Question 35

What benefit design changes are you considering in the next 12-18 months?

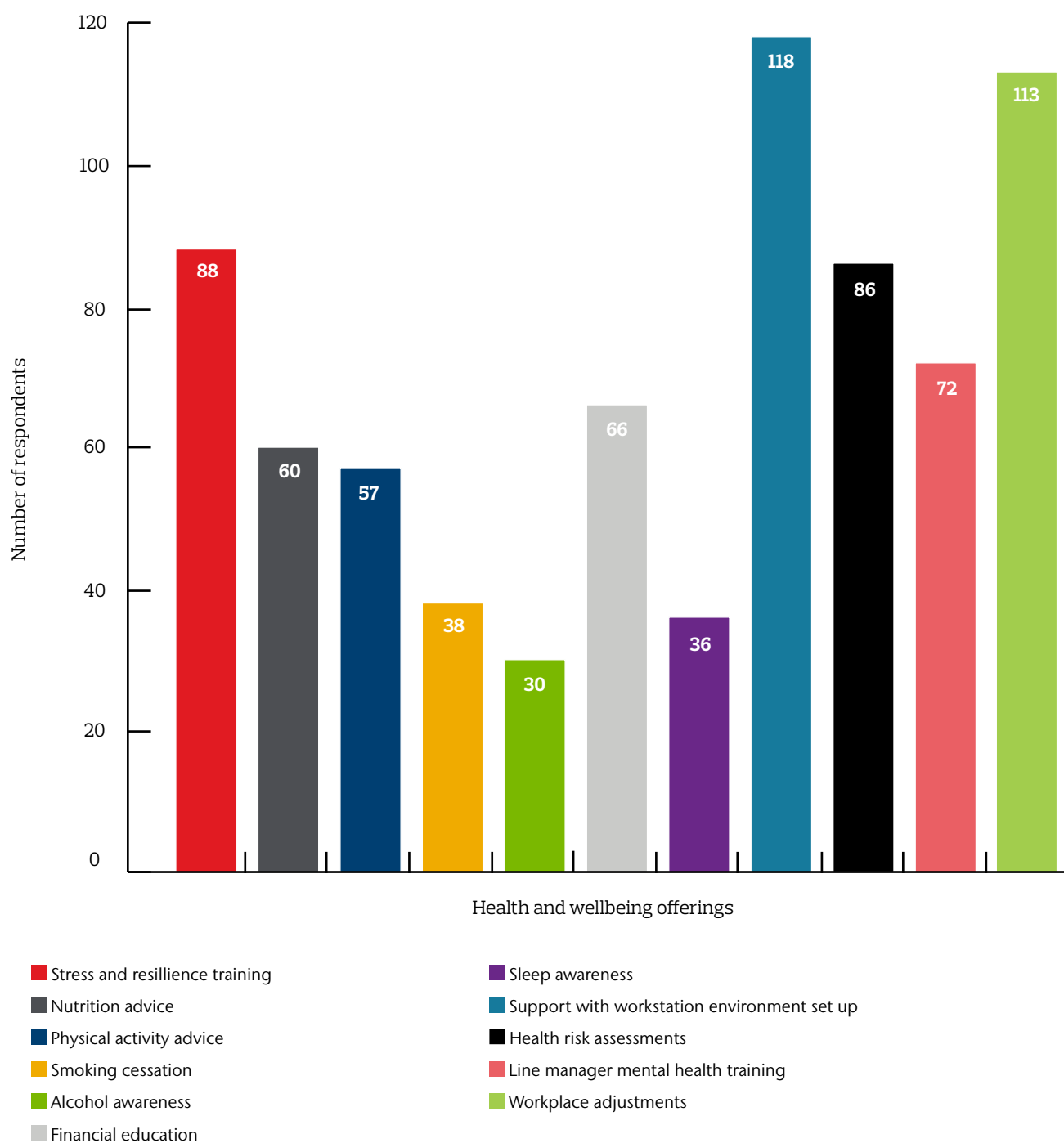


The relatively low numbers and even distribution of responses to the question of what benefit design changes are you considering in the next 12-18 months suggests that most of the common re-design activities have already been debated and actioned or dismissed by employers. Interestingly the highest

response rate at 13% is for limiting the payment period on income protection, which may be a testament to ongoing cost pressures on this benefit for schemes unable to successfully manage ongoing claims performance.

Question 36

Do you offer any of the following as part of your health and wellbeing programme?

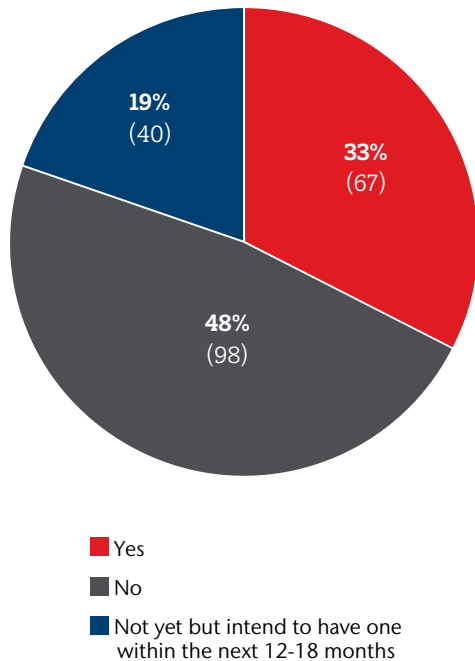


The two most common activities offered as part of a health and wellbeing programme both relate to more traditional forms of activity, focussing on the immediate working environment for support with workstation set up at 67% and workplace adjustment at 64%. It is encouraging to see that employers are focusing on this important area but it is equally encouraging to

see that other popular initiatives are all focused on providing employees with support for their emotional wellbeing, either directly, through better line manager training at 41%, or through focussing on key drivers for mental health such as financial education at 37%.

Question 37

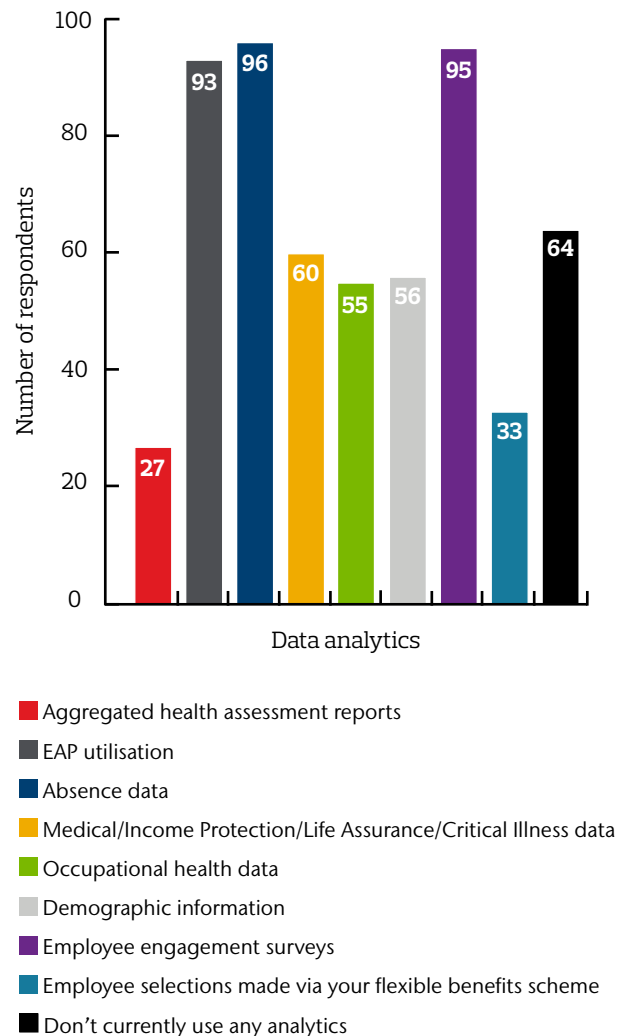
Do you have a specific budget for your health and wellness programme?



With almost half (48%) of employers still having no defined wellbeing budget, the emphasis will fall on being able to support employers with building a business case for future investment or to support employers to understand what can be accessed and leveraged off the back of existing spend.

Question 38

Which of the following company-specific data analytics are being used to inform and drive your Corporate Health and Wellbeing strategy?

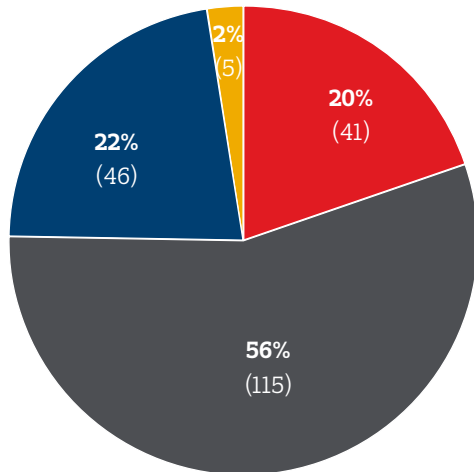


The numbers of employers now looking to utilise data to drive their wellbeing strategy has increased, with over two thirds (69%) now looking to access available data sources to guide the decision-making process and measure impact. Absence data remains the most popular data source at 47%, but it is encouraging to see employers looking to a wide range of areas to provide insights such as employee engagement surveys (46%) and EAP utilisation (45%). Aon fully support the principle of using data to provide insights to ensure risks can be identified, successful action taken and the impact measured in as many meaningful ways as possible.

One area with surprisingly low utilisation is aggregated health screening data at only 13%. Given the importance of understanding the impact of underlying health behaviours on employee health, we would fully expect to see an increased focus on this important data set in the next 12 months.

Question 39

To what extent do you agree that the employer is responsible for influencing employee health and changing behaviours?

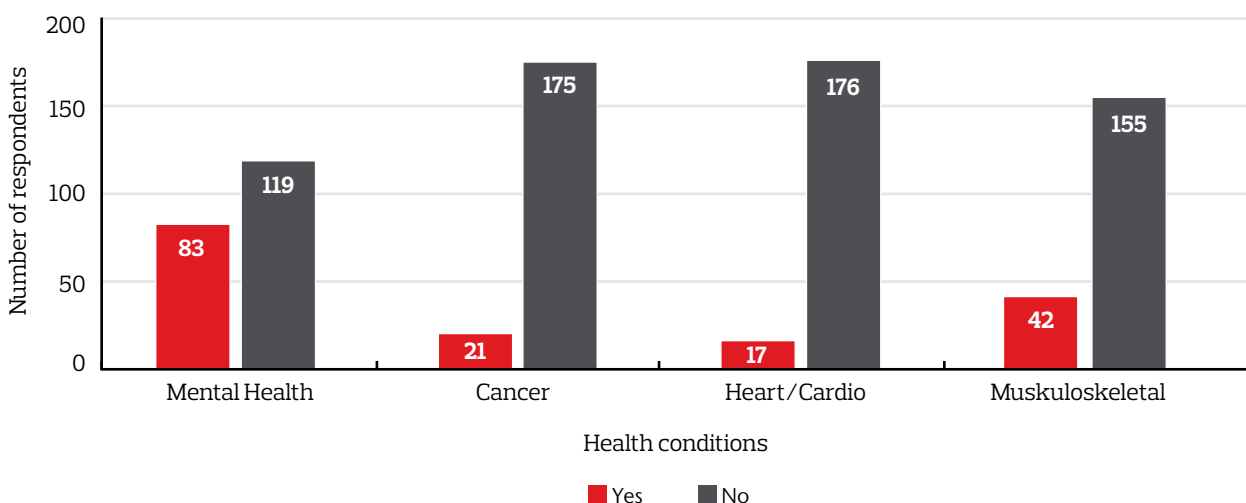


■ Strongly agree
■ Agree
■ Neither agree, nor disagree
■ Disagree
■ Strongly disagree

The number of employers who disagree that they are responsible for influencing employee health has fallen again, down from 16% last year to 2% this year. Three quarters of employers either agree or strongly agree with this statement. These numbers illustrate the ongoing importance of health & wellbeing to the modern corporate agenda.

Question 40

Do you have a specific strategy for addressing the following health conditions?

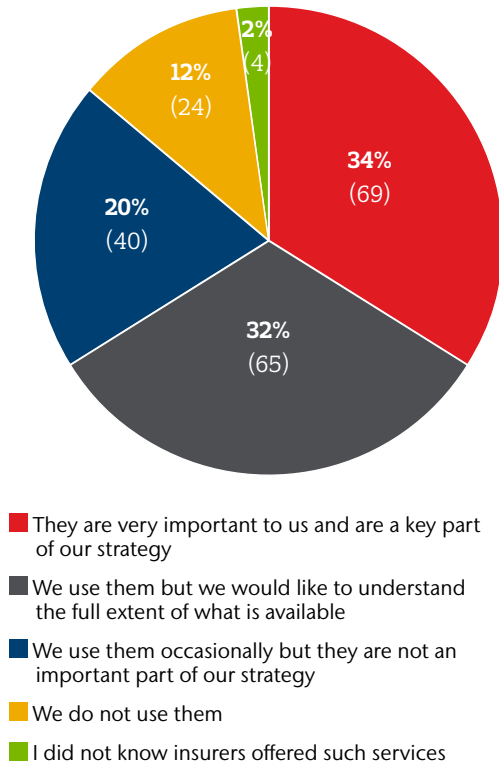


Despite being the most common strategy, less than half of clients (41%) have in place a formal approach to tackling mental health. Given the ongoing and escalating social commentary and the compelling data emphasising the scale of this issue, this figure remains too low. Indeed, with having a defined mental health policy being one of the key recommendations from the 2017 Thriving at Work report, we should expect to see this number increase in the year ahead.

Targeted focus on other key health risks remains very low. Given the impact and volatility associated with conditions such as cancer on benefit spend, we would strongly recommend client attention is also focussed on these areas as currently only 11% have a specific strategy in place to address cancer conditions.

Question 41

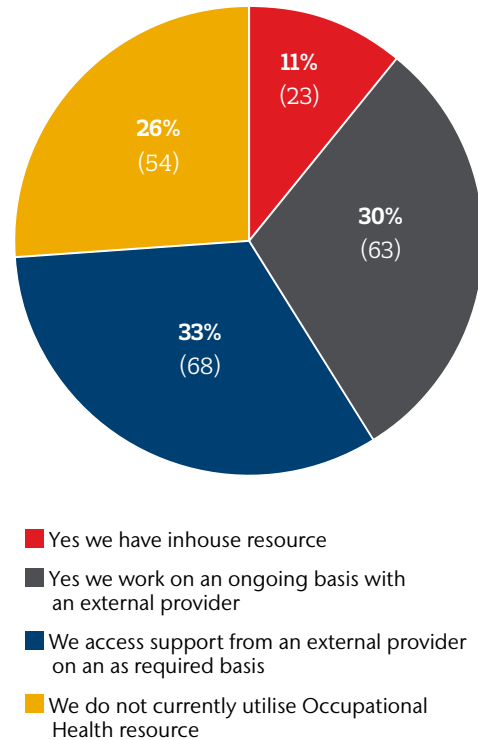
To what extent do you leverage added value services (eg. EAP's, rehab support, educational content, apps) from Healthcare and Risk providers to support your Health & Wellbeing strategy:



Given the pressures on discretionary spend and the lack of availability of designated budgets for wellbeing it is perhaps surprising to see only a third of employers view these services as an important part of their strategy. However, just under a third of clients value these services but would like to know more, indicating that further work is needed to help understand and articulate the full range of added value services available and how they might help support key client objectives.

Question 42

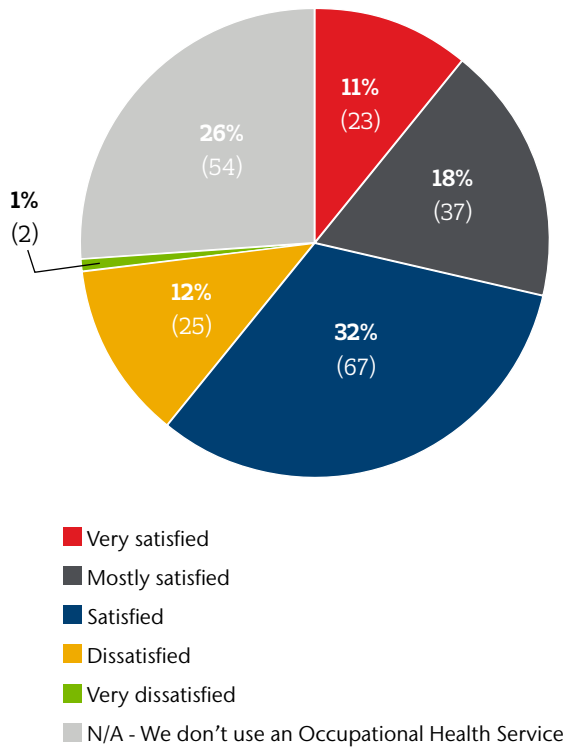
Do you utilise an Occupational Health service to help deliver your Health and Wellbeing Strategy:



With the central role that Occupational Health (OH) should play in all phases of the wellbeing cycle it is a little surprising to see that just over a quarter (26%) of clients still do not employ OH services in any form. For those that do utilise a service, around a third only use this on an ad hoc "as required" basis.

Question 43

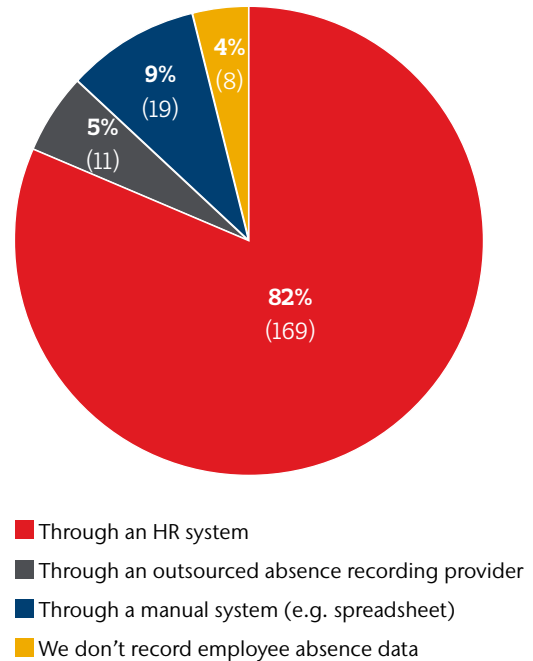
What best describes your level of satisfaction with the support your Occupational Health service currently delivers to your Firm



Given the importance of an effective, well scoped out OH service to an employer's health and wellbeing strategy, it is essential that the providers deliver the required service. The 13% of employers either dissatisfied or very dissatisfied with current levels of services should consider not only the choice of supplier but also the scope of services they are looking to access to ensure the service delivers in line with expectations going forward.

Question 44

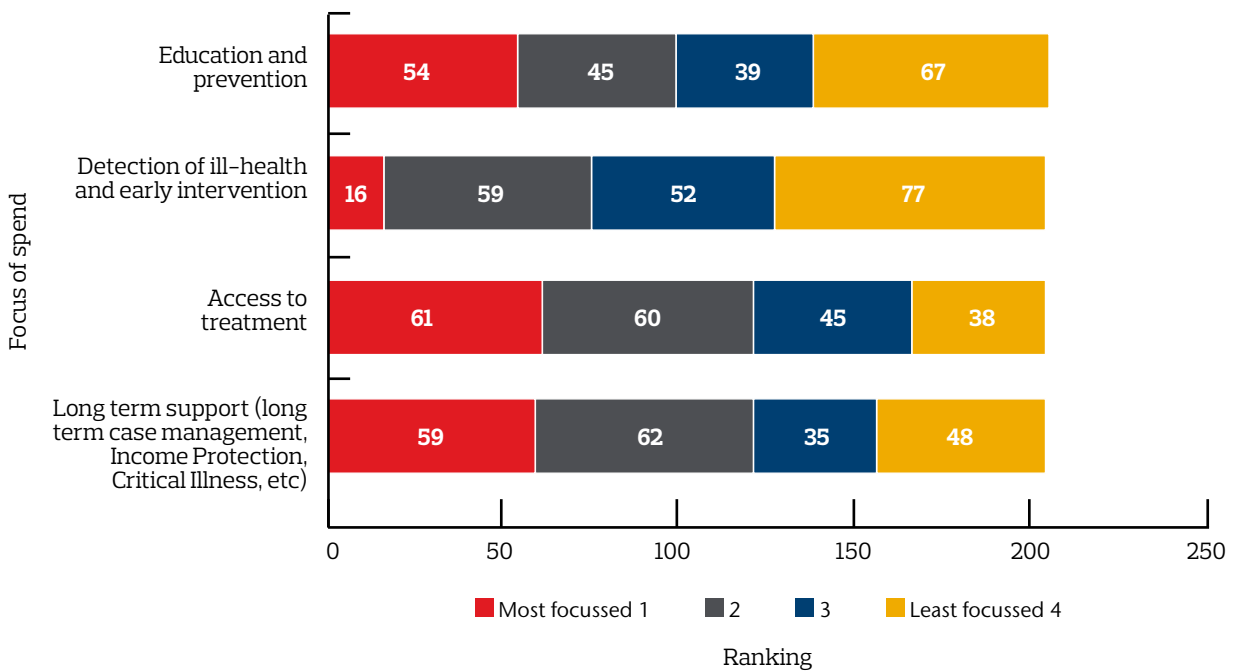
How do you currently record employee absence:



The clear majority of employers (82%) utilise their HR system to record employee absence, with a relatively small group adopting systems that are either more sophisticated (outsourced to a third party at 5%) or rudimentary (manual spreadsheet at 9%). It is reassuring that only a small percentage (4%) do not record absence in any medium, although these outputs beg the follow up questions on how accurate the data might be and what the employer is able to do with it.

Question 45

Where currently in your Health and Wellbeing programme is the majority of your spend and resource focussed.



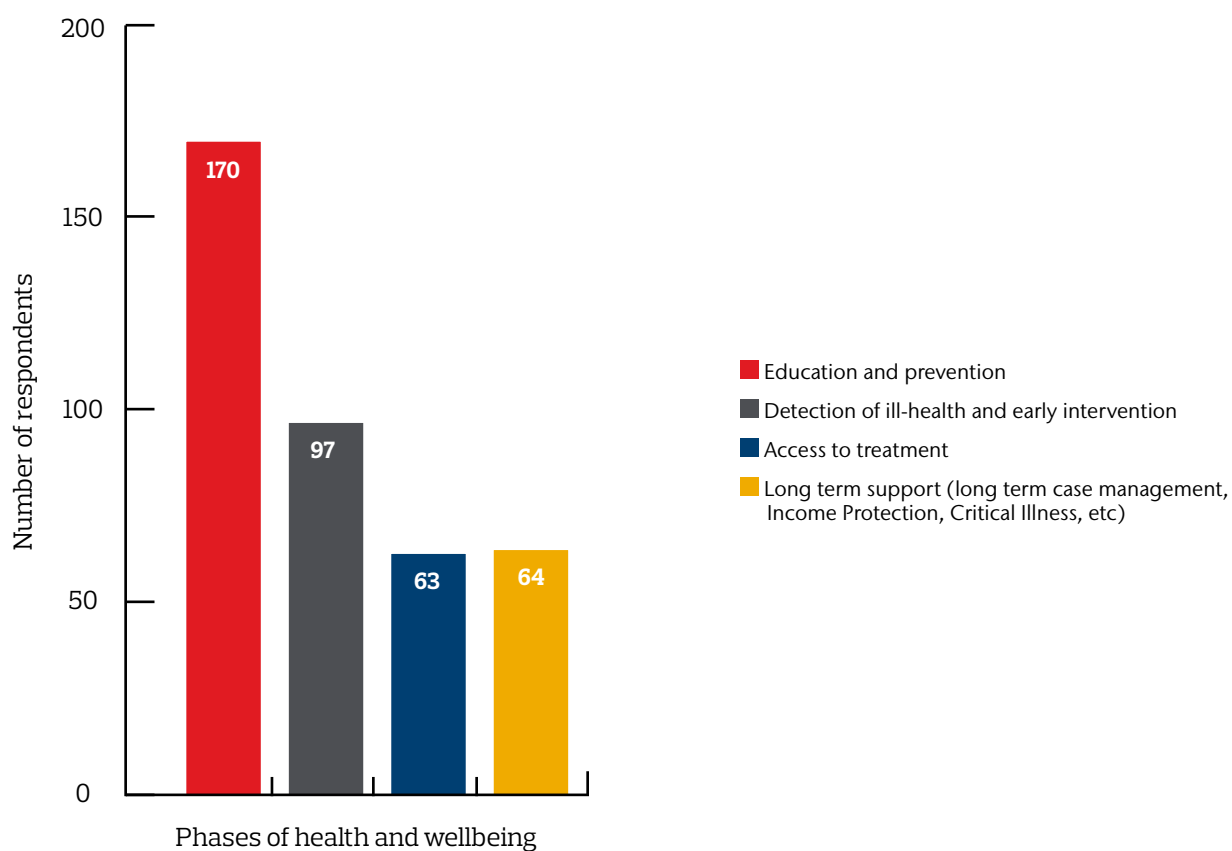
As this is the first time we have asked this question we are not yet able to benchmark a trend here. It is encouraging to see a relatively even spread of focus across all of our key phases of wellbeing; prevention, intervention, treatment and long-term support. However, there is still a distinction between the amount of focus and spend aimed at the latter stages of wellbeing, namely treatment and long-term support, rather

than for the earlier stages, supporting early detection and intervention. Much like the parallel debate ongoing in the UK on NHS spending, the challenge for employers going forward will be how to drag more spend to these earlier stages, focussing as much on prevention as we do on the cure.



Question 46

Looking forward, which areas of your Health and Wellbeing programme are you most looking to focus on:



To echo the observation on the previous chart it is hugely encouraging to see that it is these two areas (education & prevention and early detection) that employers are looking to focus on in the year ahead. Over 80% of employers will be looking to improve education and awareness on health-related issues which makes an effective and targeted communication and engagement strategy an imperative (as evidenced by question 47).



Healthcare and Risk Benefits

The Aon View

With wellbeing dominating the discussion across the industry and our client base for the past couple of years it is interesting to reflect on this year's survey results and assess whether wellbeing remains just a good discussion point or whether decisive actions are now being taken. When action is being taken it is equally interesting to see where exactly the focus has been.

A good starting point is to look at what changes to benefits clients are looking to make in the next 12-18 months (Question 35). Relatively low numbers (generally less than 10%) said they were looking at some of the traditional benefit design changes, usually associated with short term financial savings or reaction to legislative change. Movement of IP design to a limited terms payment period was one area that did see more than 10% of clients state this as a 2019 objective and is most likely a symptom of a difficult year for renewal pricing in the financial services industry in particular.

However, well over 50% of clients said they were looking to do something else in 2019 and beyond. The wide range of responses given could be grouped into three areas: initiatives that offer employees more flexibility, initiatives focussing on engagement and initiatives focussing on health education/prevention.



Aligning investment with risk – The Employer Paradox

Whatever pillar of wellbeing is being considered, Aon's best practice advice to clients is to ensure full consideration is being given to all key stages, namely:

- ▶ Prevention and education
- ▶ Detection and early intervention
- ▶ Access to treatment
- ▶ Long term support

We continue to see employee benefit programmes with spend and resource weighted heavily towards the latter two stages of this cycle and proportionately very little investment in the earlier stages (Question 45). Often shackled by historical benefit promises this continues to be a challenge for many employers looking to take their EVP to the next level. This paradox for employers is also a reflection of the wider conversation on health in the UK. There was much focus following the 2018 Autumn Statement on the additional £6 billion of funding pledged by the Chancellor to the NHS and to mental health services in particular. However, the associated commentary was broadly in consensus in saying that more investment was still needed to put funding for emotional health on the same footing as physical health and that there also needed to be a shift towards more spend focussing on education and early intervention.

Prevention being better than the cure is a mantra that applies equally to national healthcare spending as it does to the corporate world. It is encouraging to see the results of our survey suggest that shifting the focus in this manner is very much part of employers' strategies for 2019.



The hunt for budget

It is disappointing that 48% of the employers surveyed still cannot point to a designated budget for their wellbeing strategy (Question 37). However, with some creative thought, an understanding of what resources are available, and some clever leverage of existing benefits spend, it is still possible for many employers to build a sound wellbeing programme.

However, building on free or value add services with additional designated spend to provide a wider and better range of services to a greater number of employees remains an aspiration for most employers, 76% of whom now believe that they have a role to play in influencing employee health (Question 39). Over two-thirds of employers who responded to our survey are now using data to help drive their wellbeing strategy (Question 38). In addition to helping to target key areas of risk and measure performance, data can form the bedrock of a business case for future investment.

It is encouraging to see employers accessing a wide range of data sets to help inform their decision-making process and guide strategy. We believe that it is imperative employers think as broadly as they can when identifying markers for success and can then identify the associated data sets. When employers are only able to focus on one or two areas to justify return on investment (a single line of insurance premium for example), they can run the risk of their efforts being devalued and undermined by what can often be a single event or claim, that may have been totally outside of their control.



Thriving at Work

A designated strategy to focus on mental health remains the most targeted health related initiative at 41% (Question 40), although this number has moved little since we last asked this question in 2016 and still means that around 60% of employers do not have a defined mental health strategy in place.

The numbers surrounding the impact of mental illness continue to grow with perhaps the most shocking being the recent WHO study that suggested by 2030 depression will be the world's most widespread disease - greater than the burden of diabetes, heart disease or cancer. When aligned to ongoing social commentary demanding greater support for mental health, this is one issue - one risk - that employers simply cannot ignore.

2017's Farmer-Stevenson report, "Thriving at Work", has laid some solid foundations for best practice corporate strategy, but our survey results show that many employers still need support in bringing these principles and standards to life. Our findings highlight that key areas such as having a defined mental health policy, effective education and communication to both employees and management, access to good quality occupational health support and the ability to report with confidence on the levels of mental illness within an organisation all need to remain a priority.



Engagement and Communications

Key Findings

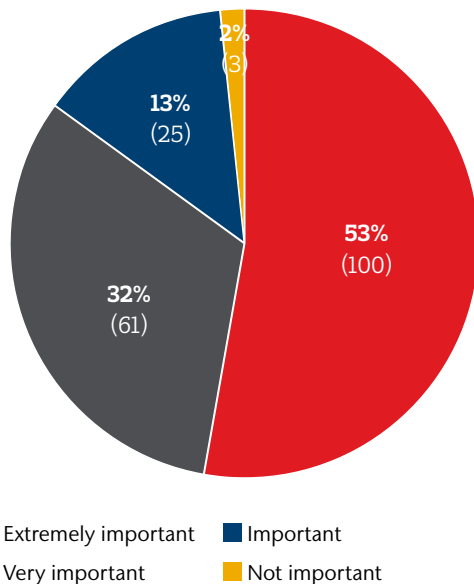
Engagement continues to be the main reason for wanting to increase employees' understanding of Total Reward this year (Question 58). Given how highly employers regard engagement, it is surprising that they are allocating so little budget to communicate an employee's full benefits package to them (Question 48), and sticking with traditional communication such as email and posters (Question 52).

The most successful employers have found success in achieving their objectives of improved engagement by utilising a multi-faceted communications campaign that embraces many channels including new digital opportunities that not only talks to different groups of employees, but is also personalised so employees really understand and appreciate the full value of what's in it for them.



Question 47

How important is it to increase employee understanding and engagement with their benefits and/or health and financial wellbeing?



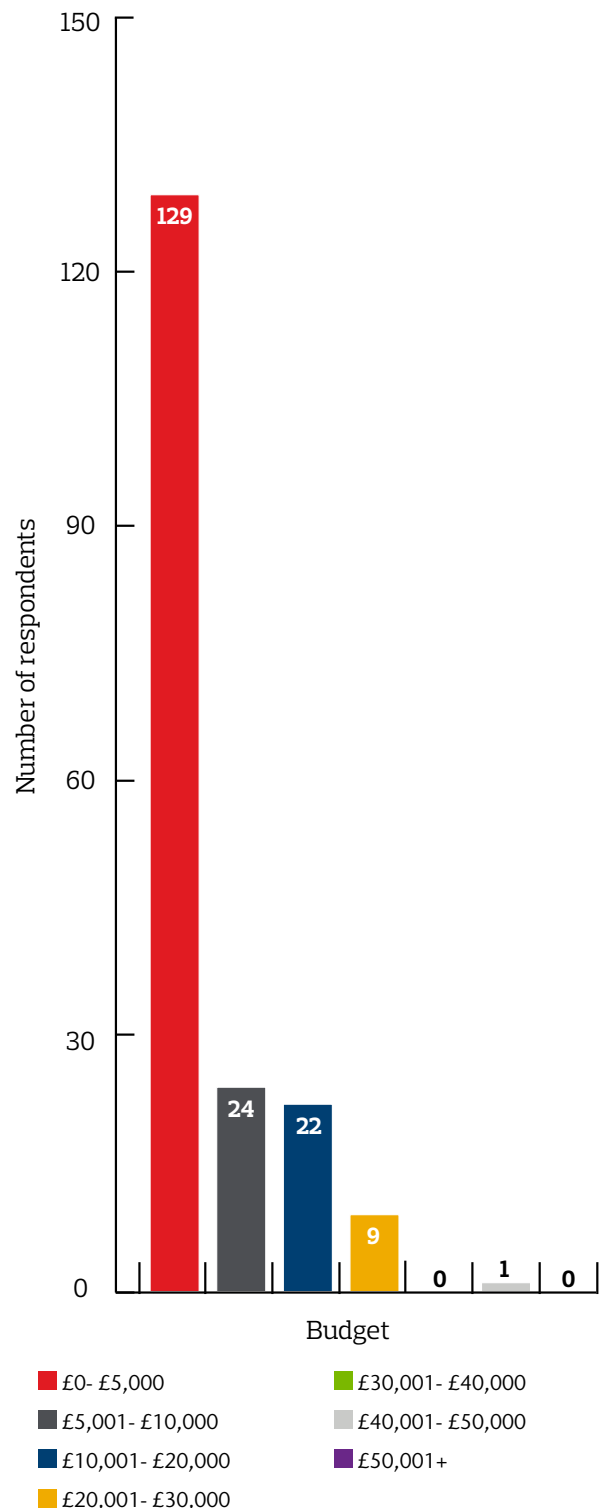
The importance of benefits understanding and engagement is a trend that remains year on year at 98% with a breakdown of respondents saying this is important (13%), very important (32%) or extremely important (53%).

If you are putting money, time and resource into benefits and wellbeing make sure that employees know about them and understand them.

Over half of companies say benefits understanding and engagement is extremely important (Question 47), yet 70% spend less than £5k on communications efforts (Question 48), which seems to be a conflicting message. There's possibly some encouragement from 46% of companies saying they are willing to increase spend to improve communications (Question 57).

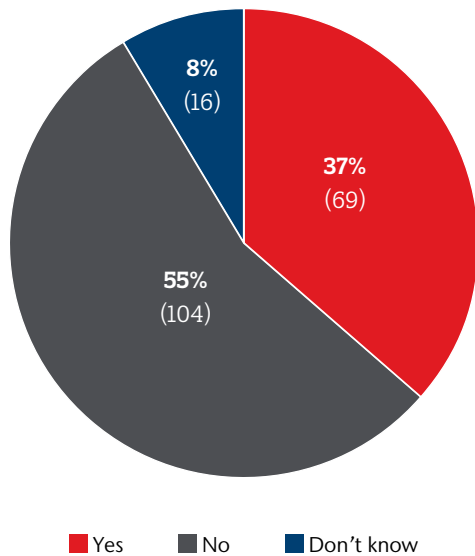
Question 48

How much do you budget annually for engagement and communication of your benefits?



Question 49

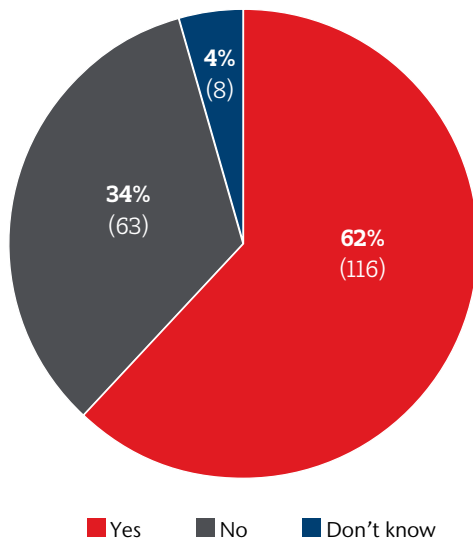
Do you have an engagement strategy in place?



Broadly in line with the earlier section on EVP, only just over one third of companies (37%) say they have an engagement strategy in place. Again, there seems to be a significant gap between recognising the importance of effective communications and actually having a plan (and budget) to achieve this.

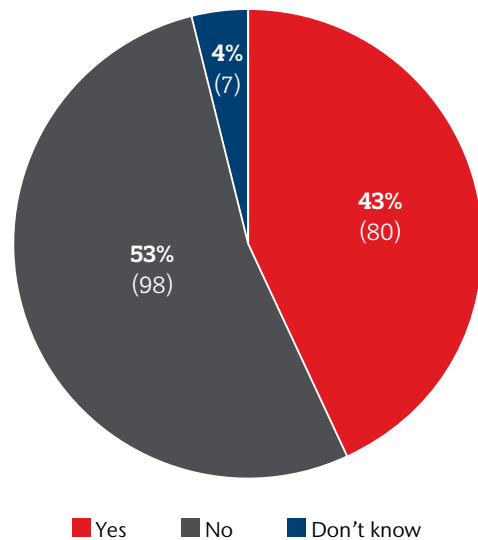
Question 50

Do you conduct research/listening with your employees to understand their needs?



Question 51

Do you have a benefits brand?

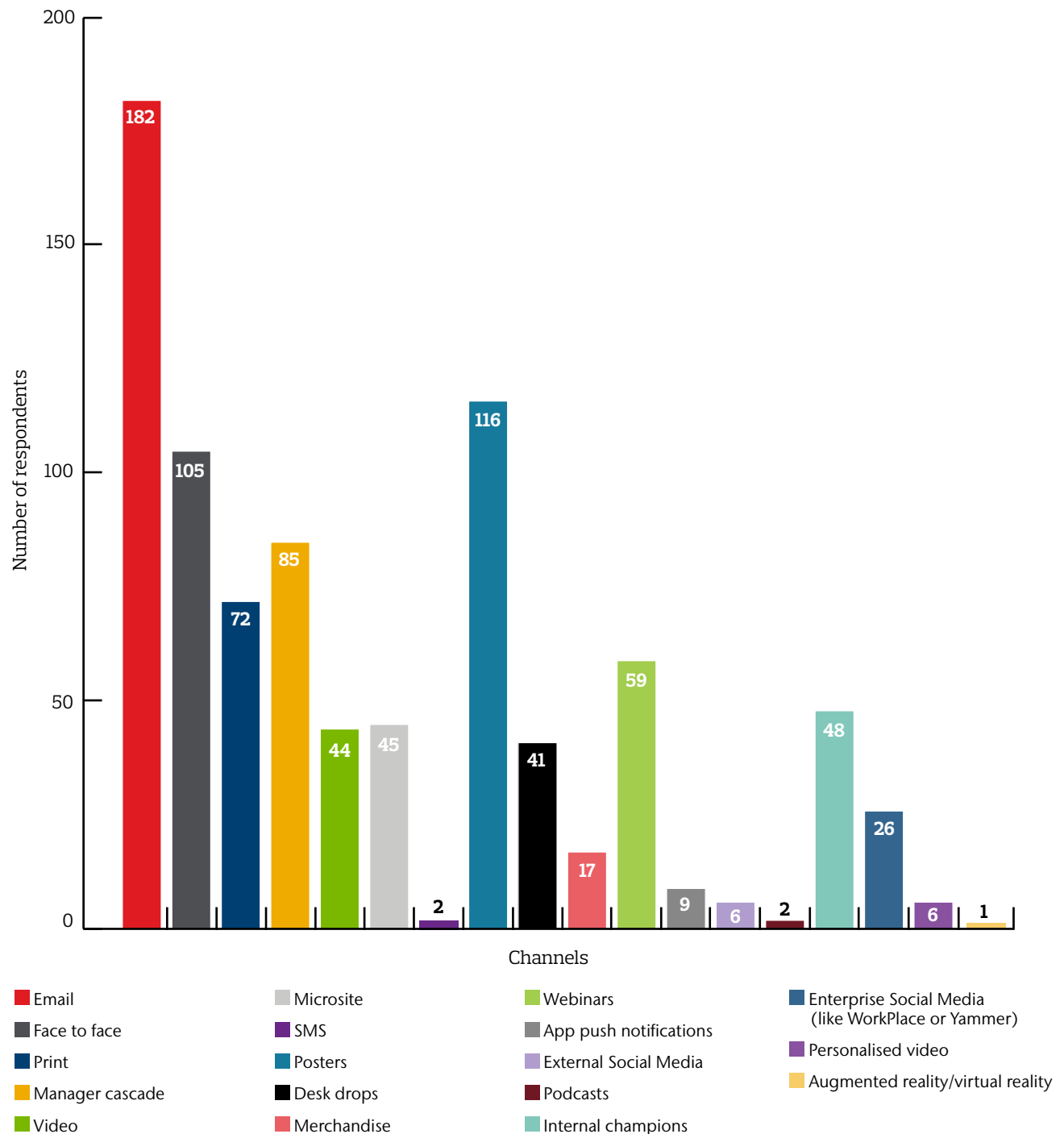


On a slightly more positive note, although there might not be a wider plan in place, most (62%) do listen to employees to try to understand their needs.

43% of companies now have a benefits brand to help their benefits and reward proposition really stand out.

Question 52

Which channels do you currently use or are planning to use when communicating benefits and/or health and financial wellbeing?

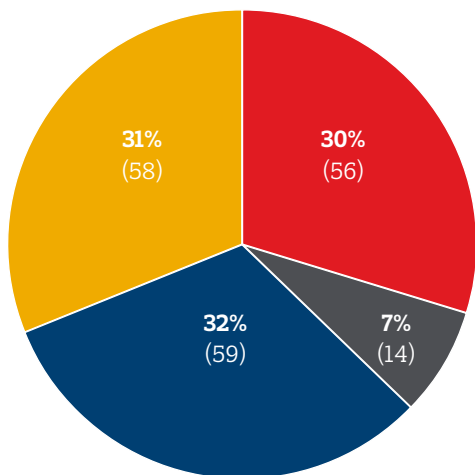


The channels currently used or planning to be used when communicating benefits are highly focused on traditional, tried and tested, poster (62%) and emails (97%), which are easy to do and roll out. The challenge here is to make an impact, and with email being by far the most popular choice of communication medium, one has to wonder how far this goes in achieving the objectives of increasing understanding and engagement.

Face to face (2019 56%, 2018 45%) and webinars (2019 32%, 2018 22%) are both becoming more popular as the education and explaining of benefits is more sought-after. We are also now seeing the emergence of digital marketing, such as app push notifications and personalised videos - in total 44% of communications is digitally focused.

Question 53

Do you think augmented and virtual reality technologies have a part to play in communicating benefits and/or engaging employees?



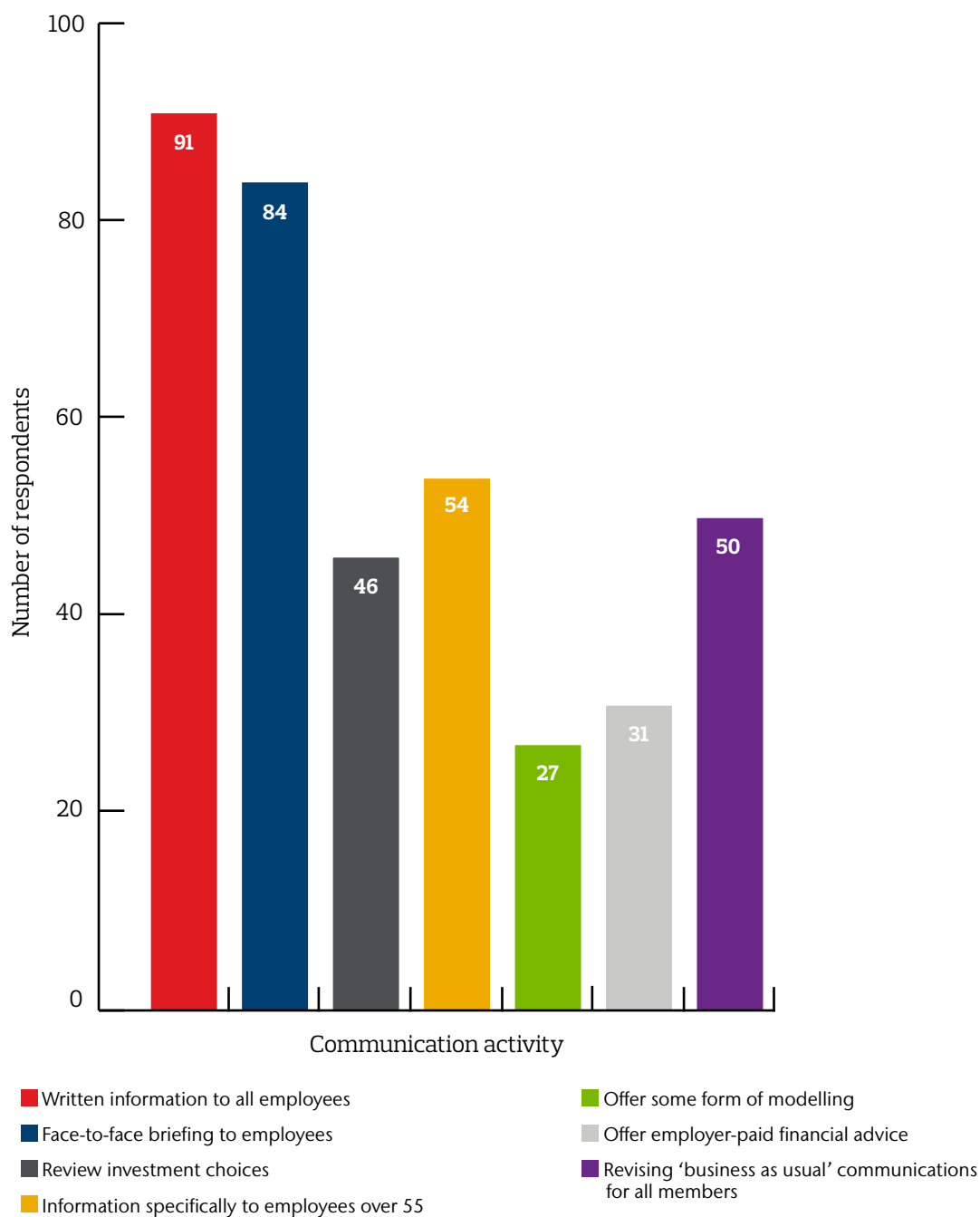
- Yes
- No
- Not sure
- Don't know enough about the technology

The jury is still out on the potential use of augmented reality, with the majority admitting they're not sure and want to know more about the tech and its role. Compared to the 2018 survey this represents a gradual shift of people moving from the "no" camp into wanting to find out more.



Question 54

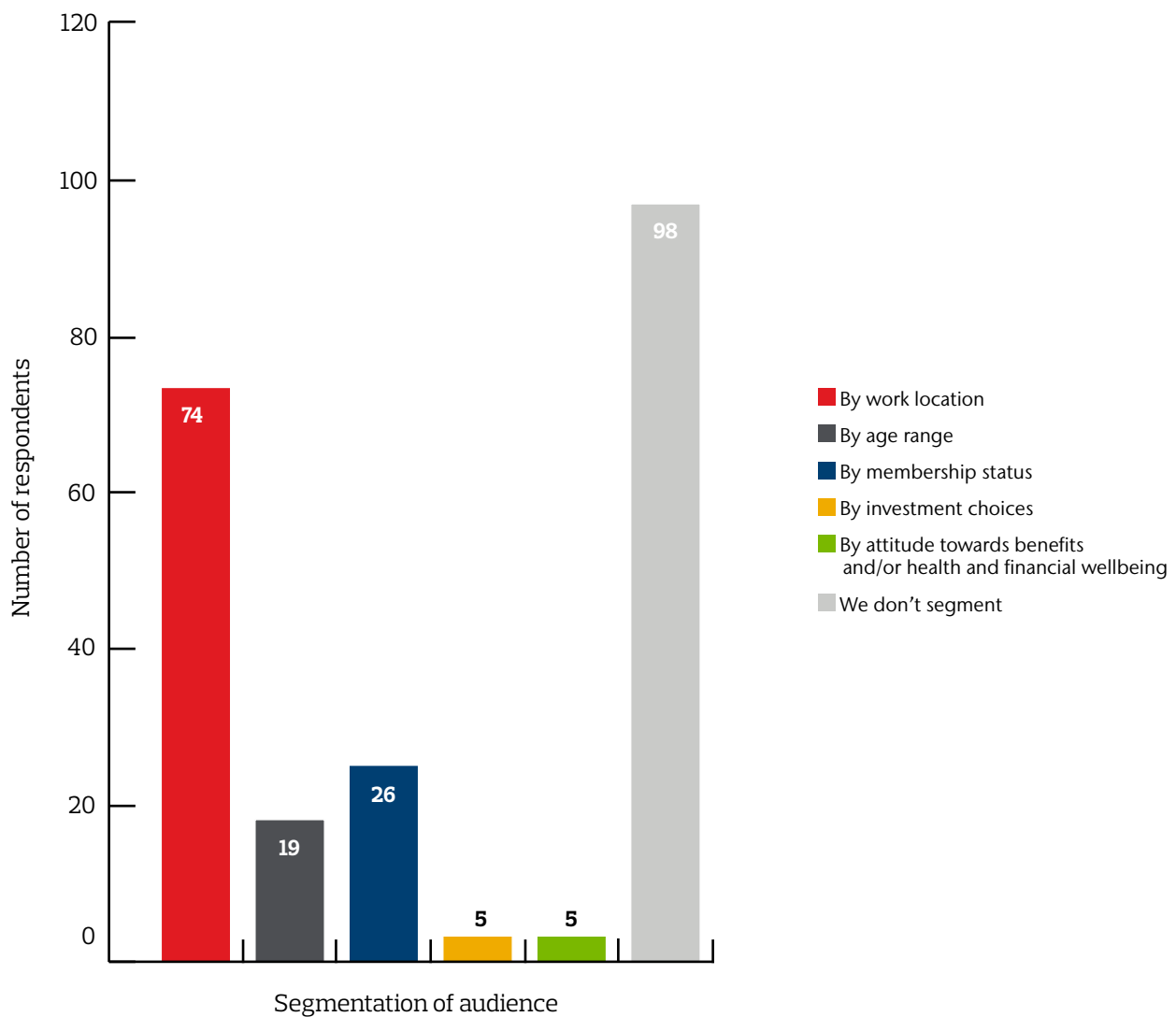
Regarding the new flexibility around retirement choices in particular, which of the following communication activities have you done or are you considering?



Face to face and written communications are the most popular with around half of employers doing at least one of them.
(Total unique respondents: 171)

Question 55

When communicating with employees, how do you segment your audience?



53% of organisations don't segment their audience when communicating to employees. Those that do tend to only segment by work location (40%), which is unlikely to have much of an impact in terms of appealing to employees' individual needs.

Very few currently tailor messages according to attitudinal factors/preferences, only 3% at present, but we hope to start to see growth in this area in the near future. Segmentation through data, analytics and insights can help communications be smarter, more relevant and have the biggest impact on engagement.

Question 56

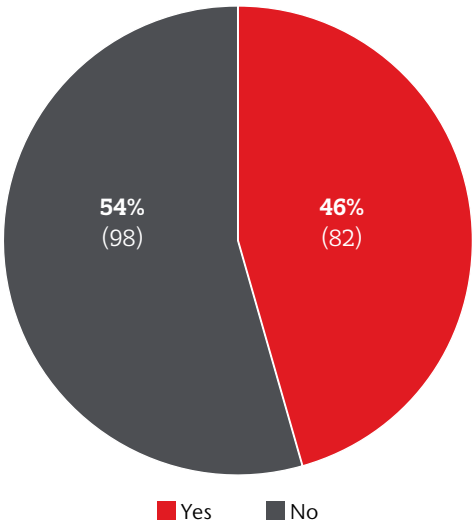
As a % of your total annual benefit spend, how much do you spend on annually communicating...?

	Your benefits	Your wellbeing	Your pension	Employees Total Reward	All benefits
0-10%	19	34	22	46	36
11-20%	13	14	14	10	13
21-30%	12	6	11	3	5
31-40%	3	4	3	1	1
41-50%	8	3	3	1	0
51-60%	1	0	2	0	2
61-70%	0	1	1	0	0
71-80%	4	0	2	0	0
81-90%	2	0	2	1	0
91-100%	0	0	2	0	5

Answers relate to number of respondents

Question 57

Would you be willing to increase spend to improve your communications?



Question 58

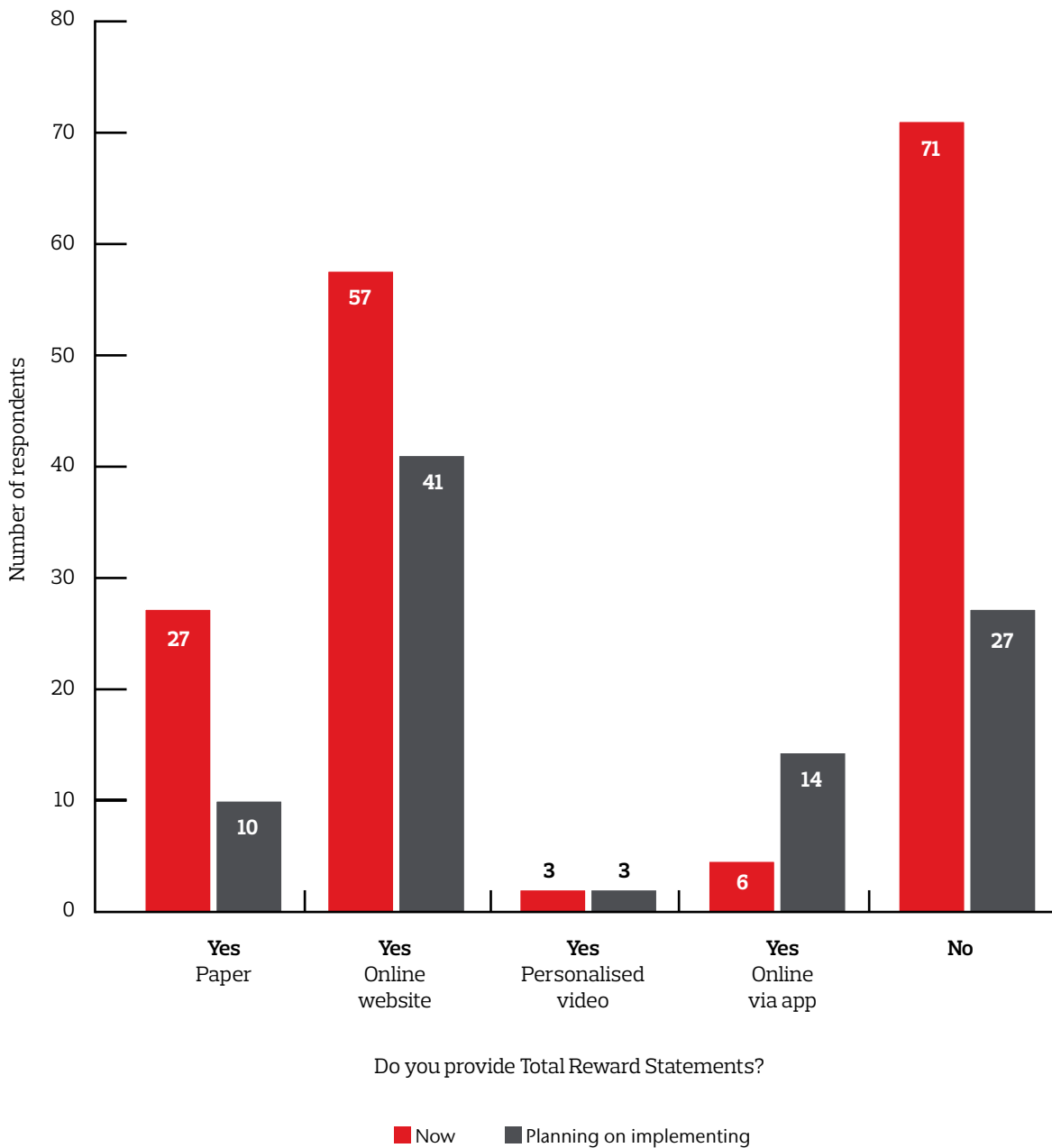
What are your top three reasons for wanting to increase your employees' understanding of Total Reward?

	1st	2nd	3rd
Appreciation	5	10	11
Retention	31	35	25
Uptake	7	10	7
Engagement	48	33	21
Understanding	22	22	23
Awareness	8	8	8
Increase perceived value of our benefits offering	19	17	23
Employer of choice/recruitment	10	14	30
Performance	2	-	-
Detract from focus on just salary	6	2	-
Driving pay for performance	1	-	-
Compliance & governance	2	2	4
Transparency	1	1	2
n/a	20	17	21

The number one reason for wanting to increase your employees' understanding of Total Reward this year is engagement, followed by last year's winner retention. Taking third place this year is wanting to be an employer of choice and attracting top talent in recruitment.

Question 59

Do you provide Total Reward Statements to your employees?



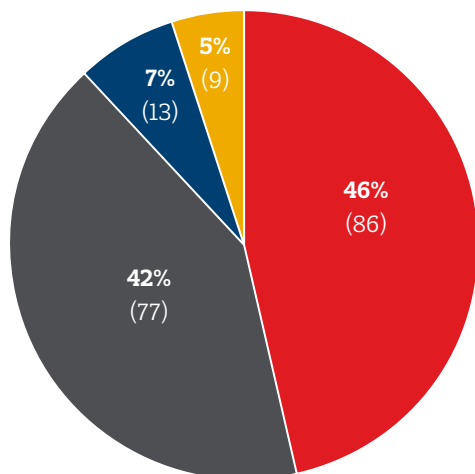
The proportion of companies producing Total Reward Statements (TRS) has increased from last year (2019 57%, 2018 41%), but we are also now beginning to see the introduction of newer technologies such as apps and personalised video. The number of employers using an app to deliver TRS is set to increase by 113%.

Paper TRS is on the decline as only 29% who do TRS have paper versions and of those looking to do TRS, only 11% will consider paper now.

43% don't have a TRS in place. This is slightly up from 38.5% last year, so a lot of companies are perhaps missing out on improving benefits awareness and engagement.

Question 60

Who are you likely to call upon to help with an engagement and communications strategy?



- Benefit advisers and providers
- Internal communications team
- External communications agency
- Not sure where to look

53% of respondents are calling on help with their engagement and communications strategy from external services (benefits advisers, providers and communications agencies) and 42% are using their internal communications team.



Engagement and Communications

The Aon View

1. Resource vs importance / smart engagement / return on investment

Nearly two thirds (63%) don't have a benefits engagement strategy in place or don't know if they do (Question 49). Over half of companies (53%) say engagement is extremely important (Question 47), yet 70% spend less than £5k on communications efforts (Question 48). 46% of companies are willing to increase spend to improve communications (Question 57).

When communicating with employees, 53% of employers don't segment (Question 55). We say to have good communications they firstly need to be relevant to make impact. Not all benefits are relevant to all, therefore segmentation is a key to successful engagement. 40% of companies segment by work location alone. Only 5% segment based on investment choices and attitude towards benefits which is a trend we hope to see grow over the next year as segmentation through data, analytics and insights can help communications be smarter, more relevant and have the biggest impact on engagement. 62% do listen to employees (Question 50), so we are seeing this feed into strategy and a real plan to move the engagement dial.

2. Education is key to engagement

Engagement is top of the list of reasons to increase understanding of total reward (Question 58). Interestingly, understanding was a consistently popular answer. Understanding and education is a key part for communications to play so it's important to get this right. This is also what we are finding with talking to clients on a local level about their strategies too. It's all about understanding and educating their employees, especially in the financial wellbeing space.

Face to face (56%) and webinars (32%) are both becoming more popular as more employers seek to explain benefits more clearly and educate their employees. Ambassadors via manager cascade (45%) or internal champions (26%) has seen a positive trend from last year as more companies use advocacy and culture to push out messaging (Question 52).

3. Digital channels as part of the overall media mix is on the up

The introduction and growth of employers using app-based TRS and personalised video is reflecting innovations in tech in our daily lives and HR's commitment to find new ways of communicating. Although 29% currently use paper TRS, this is set to decline as only 11% are planning on implementing this communications method in the future. For companies with TRS, 71% use a digital format and of those looking to implement it's 85%.

Engagement and communications is vastly growing to involve more digital technologies and more education and advice. Benefits advisers and providers can be more heavily utilised by companies to move the engagement dial.

Channels used are highly focused on traditional, tried and tested, poster and emails, which are easy to do and roll out (Question 52). However, digital marketing emerging in this space is growing, such as the use of app push notifications and personalised videos. In total 44% of communications is now digitally focused.

A multichannel marketing outlook is still popular: embrace technology, but don't forget about the more traditional delivery methods to get maximum engagement.

Workplace Pensions and Financial Wellbeing

Key Findings

This year the survey again covered organisations' approaches to pension provision (product provision, employee services, performance management and employee engagement) but was extended to cover employee financial wellbeing.

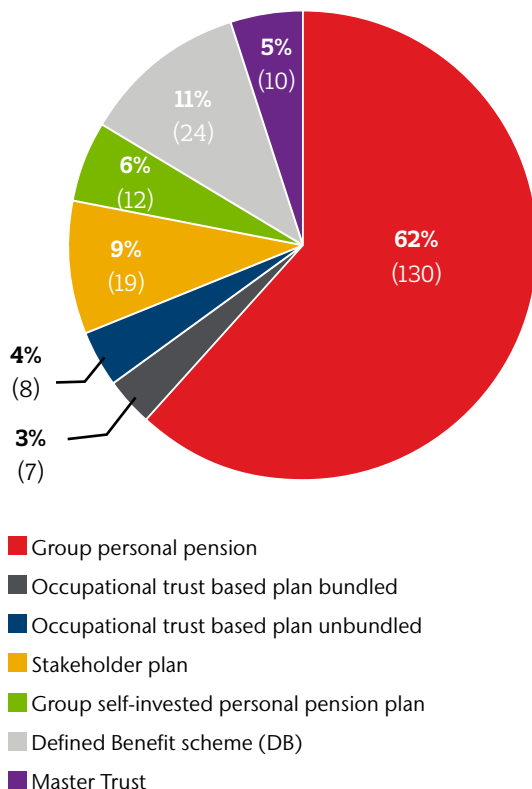
We see the continued dominance of Group Personal Pensions (GPP) at 62% which was an increase on 2018 at 59%, whilst Master Trusts have been constant over the last 12 months (5%). Email communications (78%) and printed communications (63%) (Question 64) remain the most used mechanisms to inform and communicate with employees, but these are down

compared to last year's survey – and, indeed, the use of online portals has drawn level with the use of printed communications. Most respondents only provide financial education on pensions (42%) closely followed by offering none (38%) (Question 71), which is surprising when 62.5% of respondents consider employee financial wellbeing to be the responsibility of the employer (Question 72).

With the increased flexibility and choices employees have at retirement, 48% of respondents 'don't know' what services or help they offer their people (Question 62).

Question 61

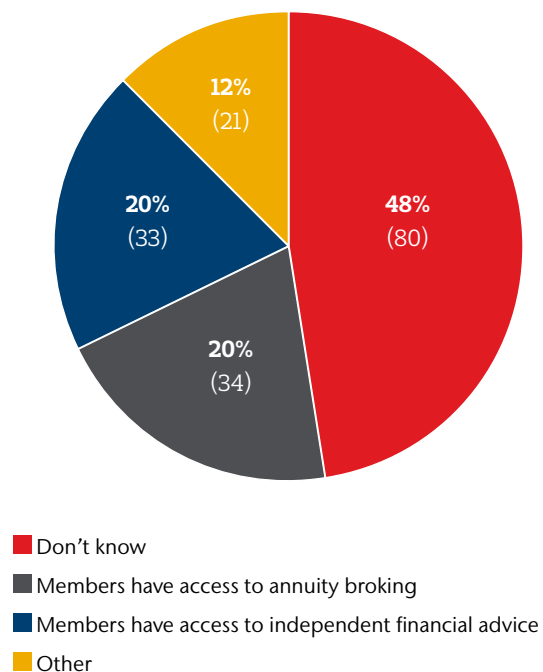
Which type of pension plan do you currently operate?



There has been a rise in the number of businesses using GPPs over the year (2019 62%, 2018 59%) but the responses confirm that contract-based pension arrangements continue to be the mainstream offering for UK businesses, whilst use of Master Trusts has remained constant at 5%.

Question 62

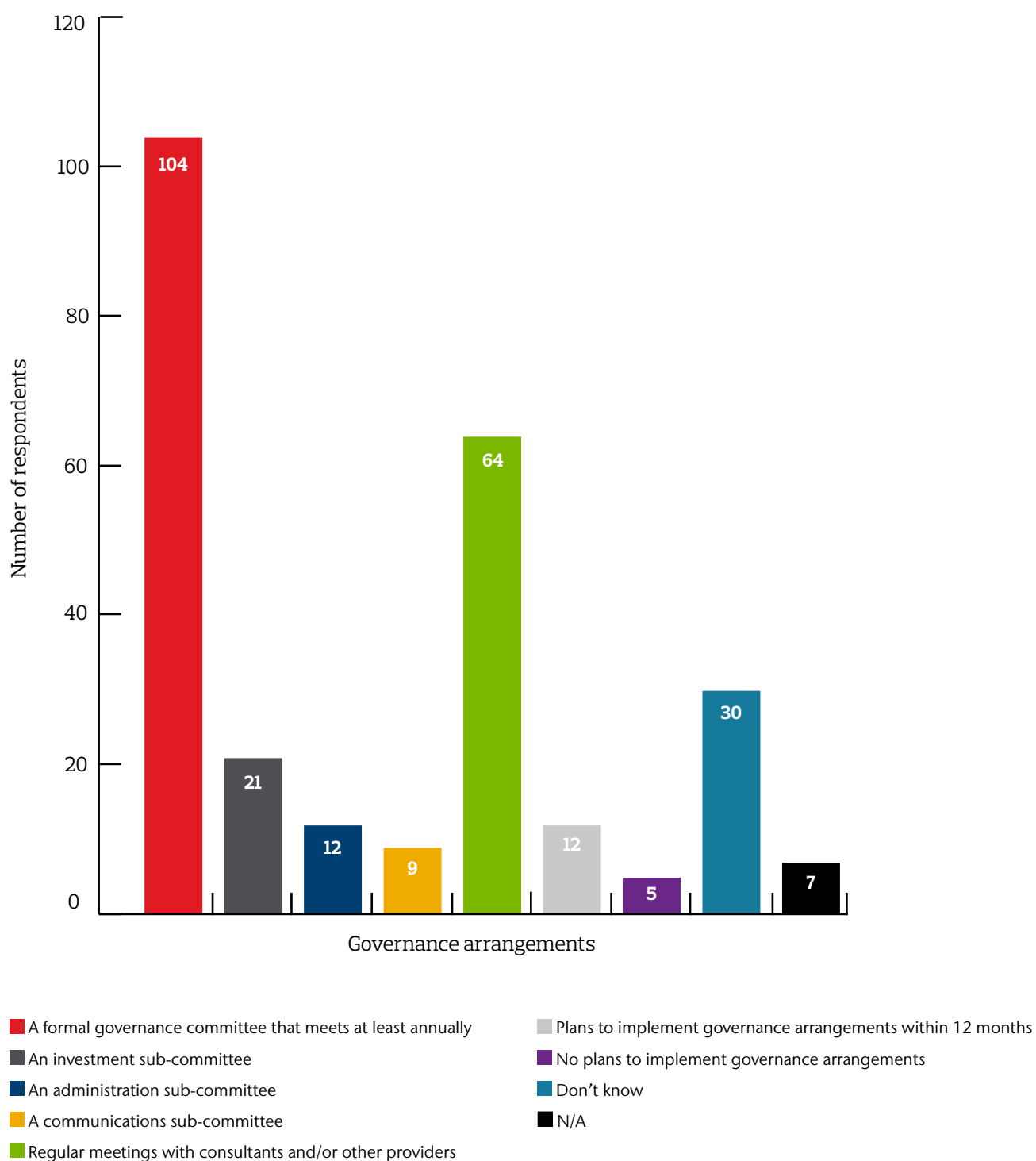
How do you manage retirements in your Defined Contribution Plan?



The choices and flexibility employees face at retirement is complex, yet only 52% of respondents provide support for people, with annuity broking (20%) and access to independent financial advice (20%) being the most popular. Interestingly, 48% were unaware of what their organisation offers which may mean many employees are reaching retirement without the opportunity to explore and establish what might be best for them.

Question 63

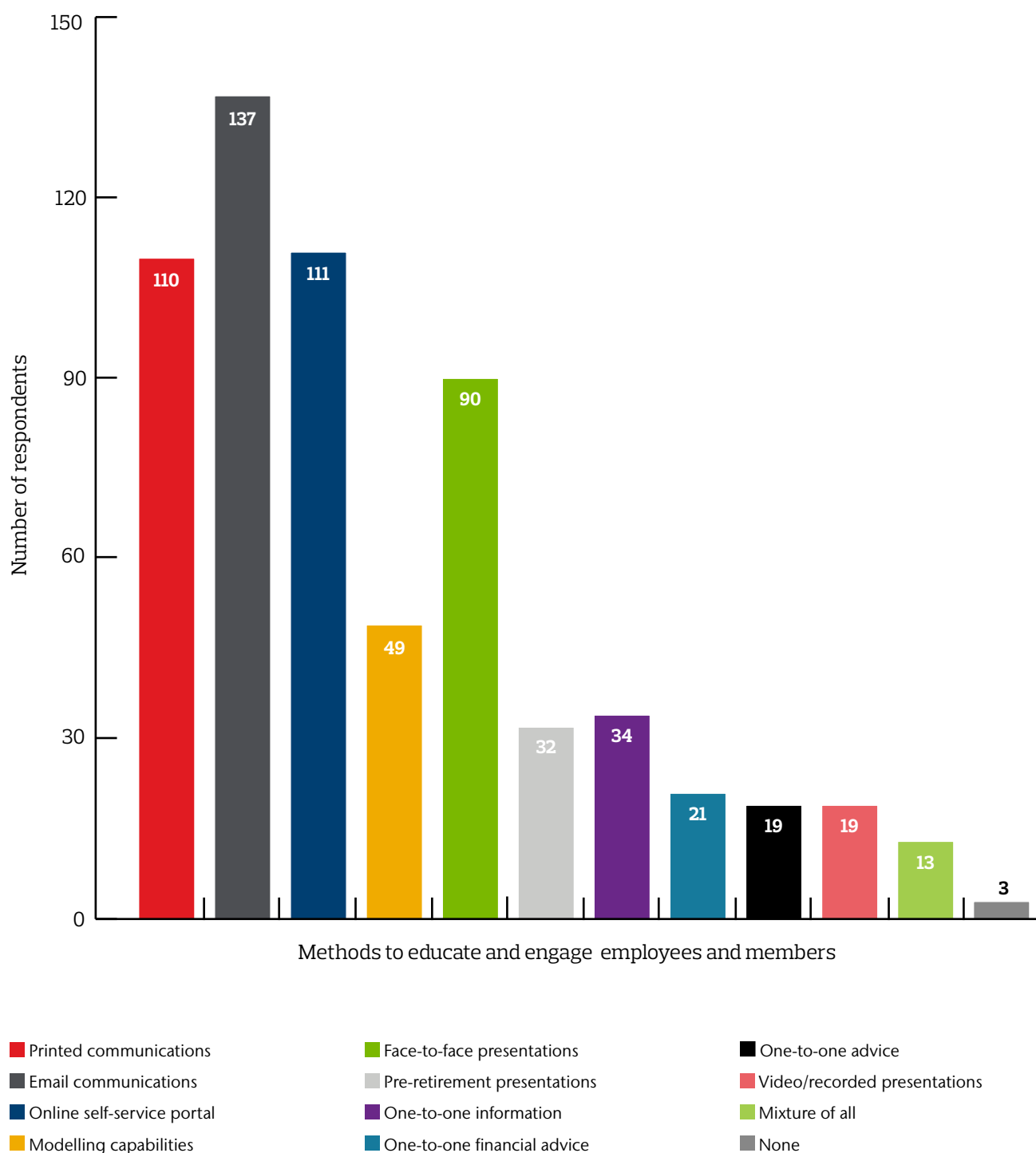
What, if any, governance arrangements do you have in place?



As with last year's results, a formal governance committee that meets at least annually continues to be the most common practice at 60% (53% last year).

Question 64

What methods do you use to educate and engage employees and members?

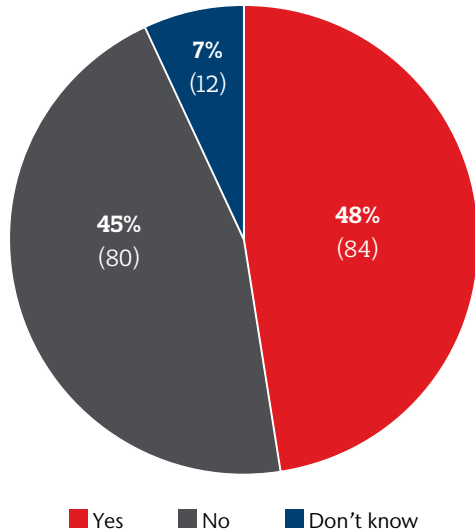


Surprisingly, email (78%) is still the mechanism organisations use most to educate and engage employees on pension and financial related matters (and this is in line with broader communications earlier in this report) but this is closely followed

by online self-service portals (63%), printed communications (63%) and face to face presentations (51%), meaning it is likely businesses are using a variety of engagement tools across their populations.

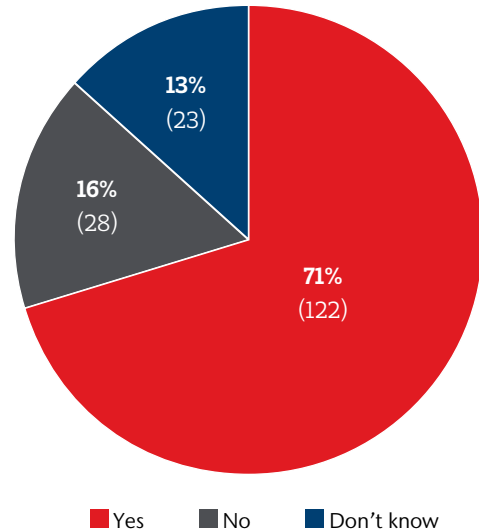
Question 65

Do you need to increase your Automatic Enrolment contributions for 2019 to meet the regulatory requirements?



Question 66

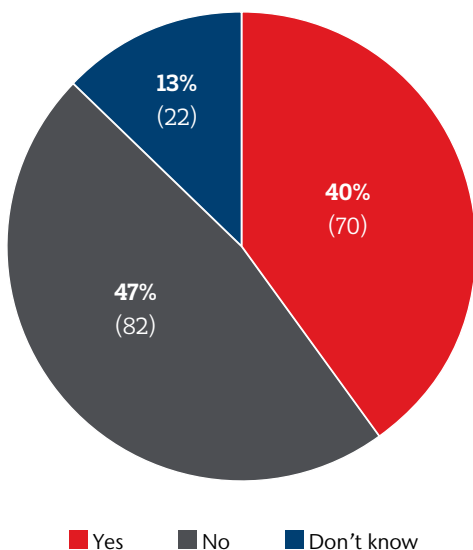
Have you reviewed your pension scheme since the introduction of Pension Freedoms (2015)?



As expected there are still a large number of employers (48%) facing a cost increase to meet automatic enrolment contribution requirements in 2019. Only 7% are unaware of their position.

Question 67

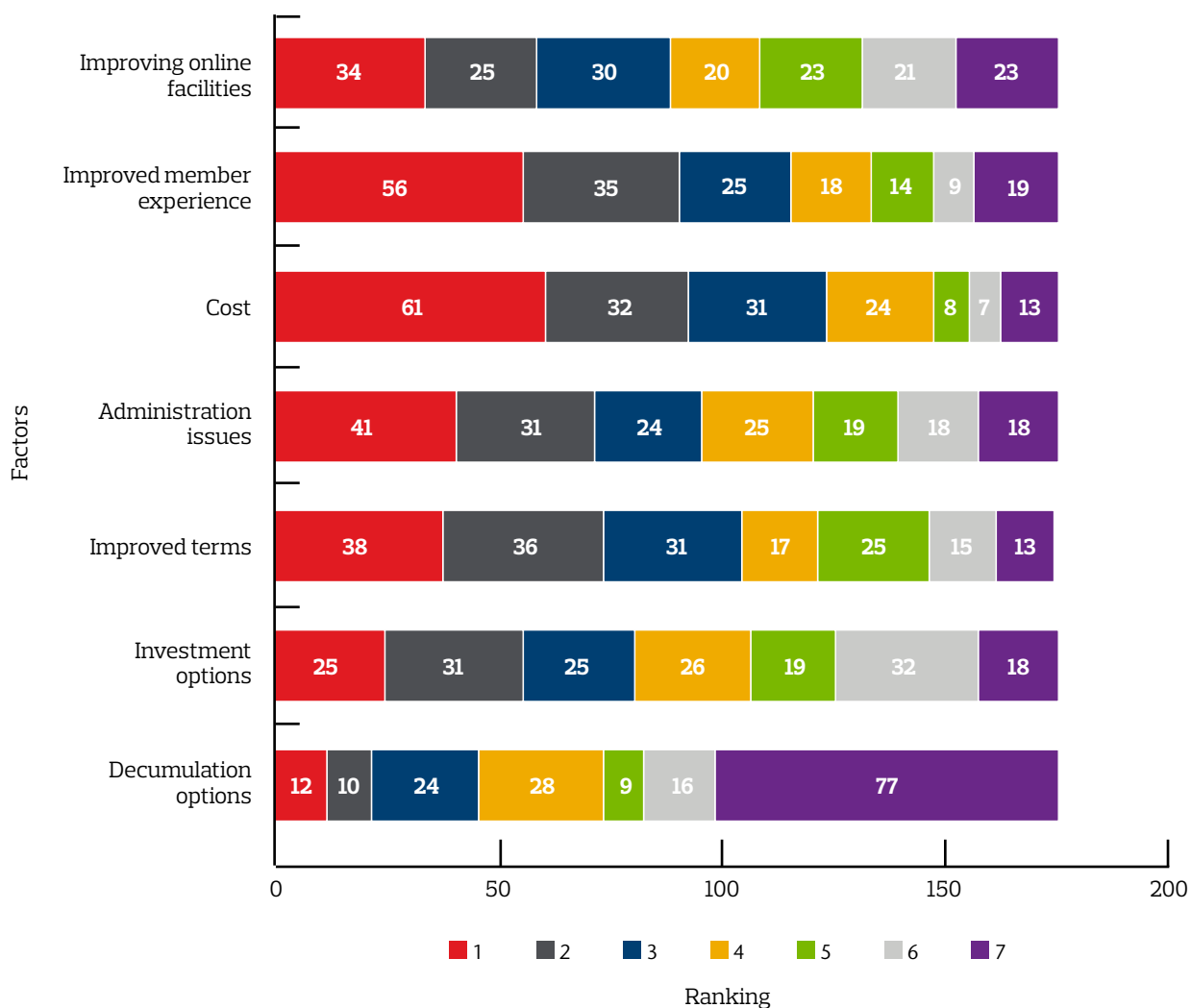
Are you planning to review your pension scheme in the next year?



The introduction in 2015 of pensions freedoms and choice had a significant impact on pension scheme design, default investment requirements and member services. As such it is great to see 71% of organisations have reviewed their pension scheme but 29% have either not undertaken a review or don't know. Hopefully some of these will be included in the 40% who responded to indicate they are planning to review their pension scheme in the next 12 months.

Question 68

Rank, in order, the factors most likely to lead you to consider changing your pension provider?

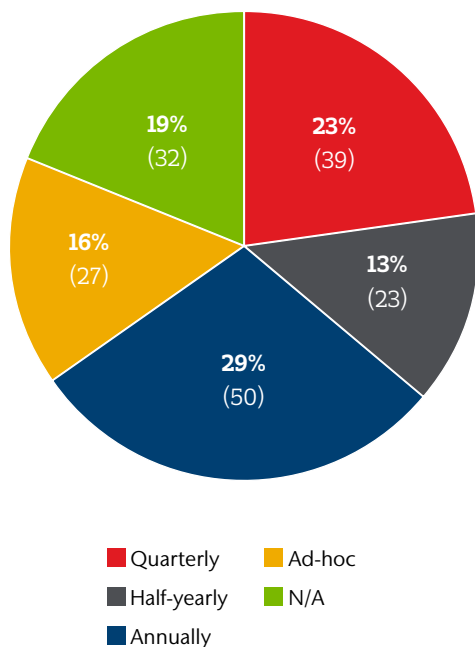


A review can expose what is working well and be maintained, what can be improved and what needs changing. Linking the concept of a review with the data evidencing the factors most likely to lead to changing your pension provider – cost, improved terms, investment options and improved member experience - are key review touchpoints and can form part of a robust governance process.

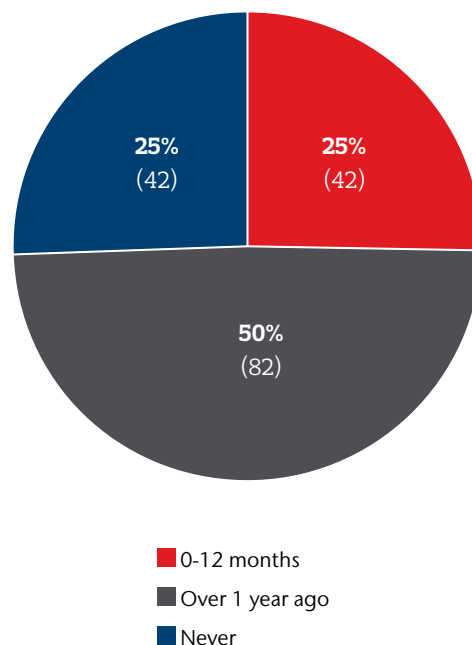
2019	2018
Cost	Cost
Improved member experience	Administration issues
Administration issues	Investment options

Question 69

How often do you review the investment performance of your default option?

**Question 70**

When was the last time you changed your default investment option or any of the funds in it?

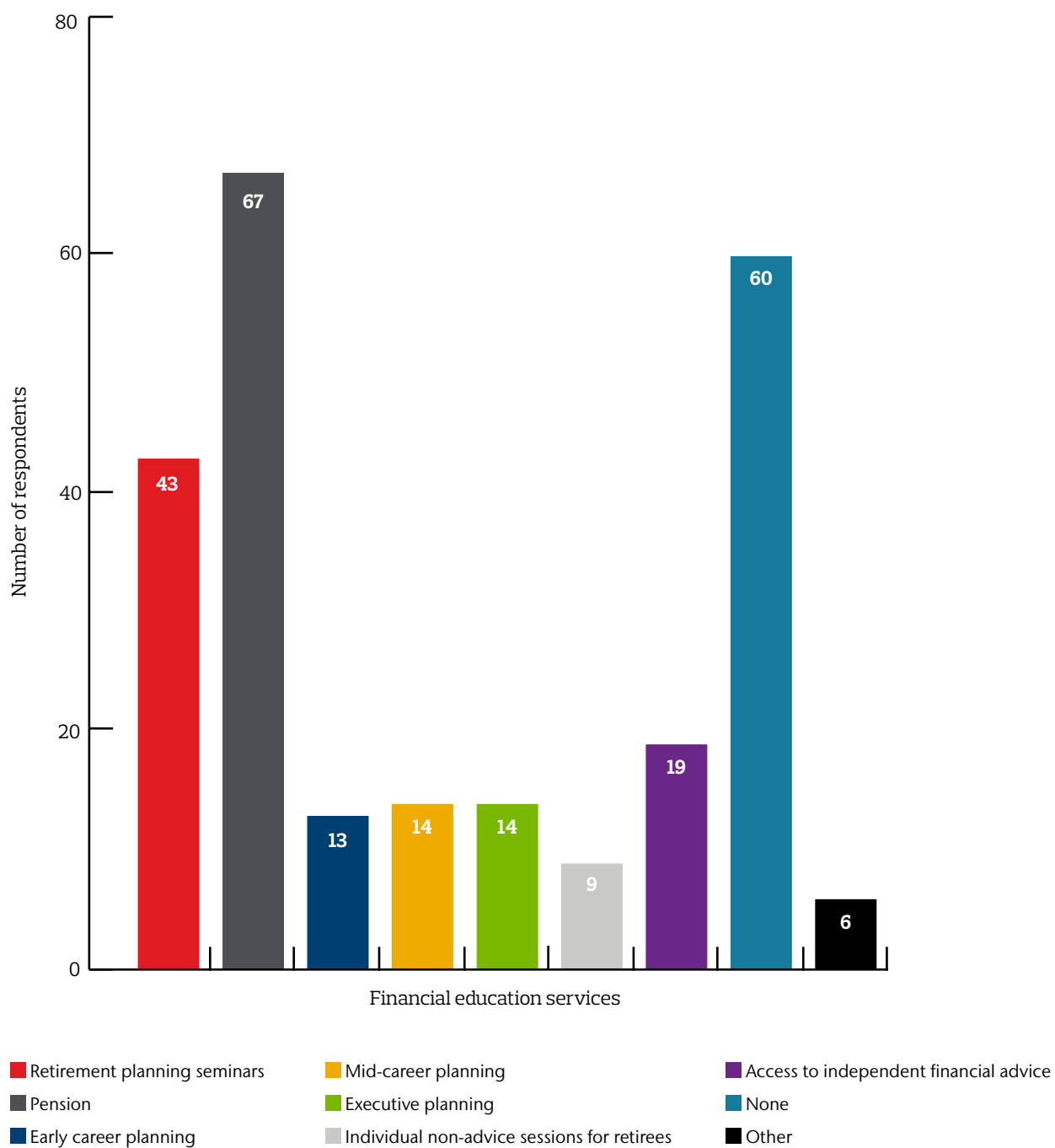


Scheme size, governance terms of reference and personal preferences often dictate employers' willingness to undertake specific investment reviews. As investment performance is covered through a governance process that would seem to reflect that the largest group (29%) review annually dovetailing with 60% of respondents who stated that a formal governance committee meets at least annually (Question 63).

Since 2015 and the introduction of pension freedoms and choices there has been significant activity reviewing pension schemes of 71% (Question 66) but the responses raise a concern that the reviews may not have resulted in a specific review of the default investment option. 25% have never changed their default investment option which could result in employees partaking in an investment strategy misaligned to their retirement objectives.

Question 71

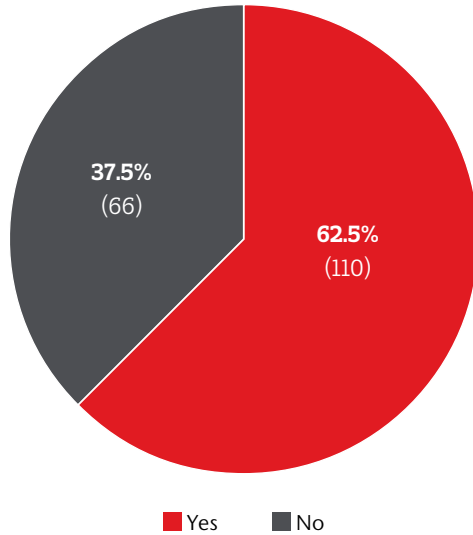
What financial education services do you offer employees?



Pension forms the largest single delivery point for financial education (42%) with a range of specific support being offered from access to an Independent Financial Advisor (IFA) (12%), executive planning and mid-career planning (9% each respectively).

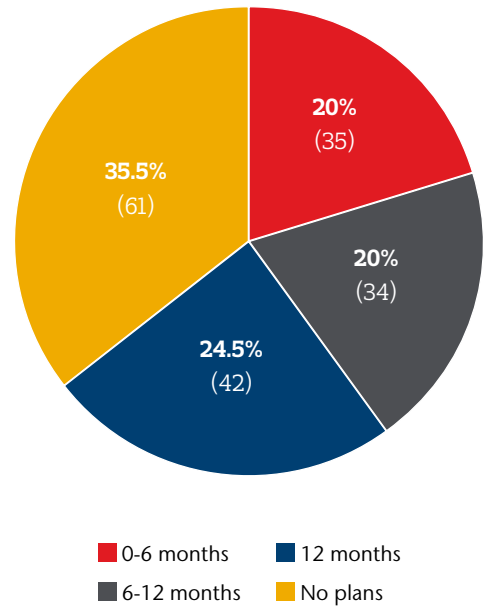
Question 72

Do you consider employee financial wellbeing to be your responsibility as the employer?



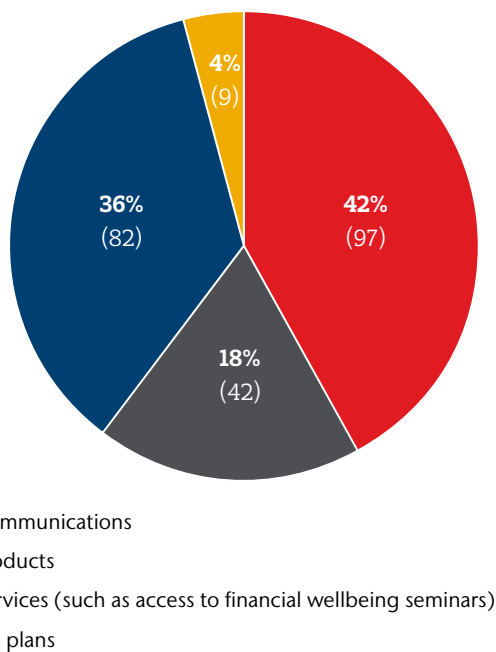
Question 73

Do you plan to implement initiatives relating to employee financial wellbeing in the next...?



Question 74

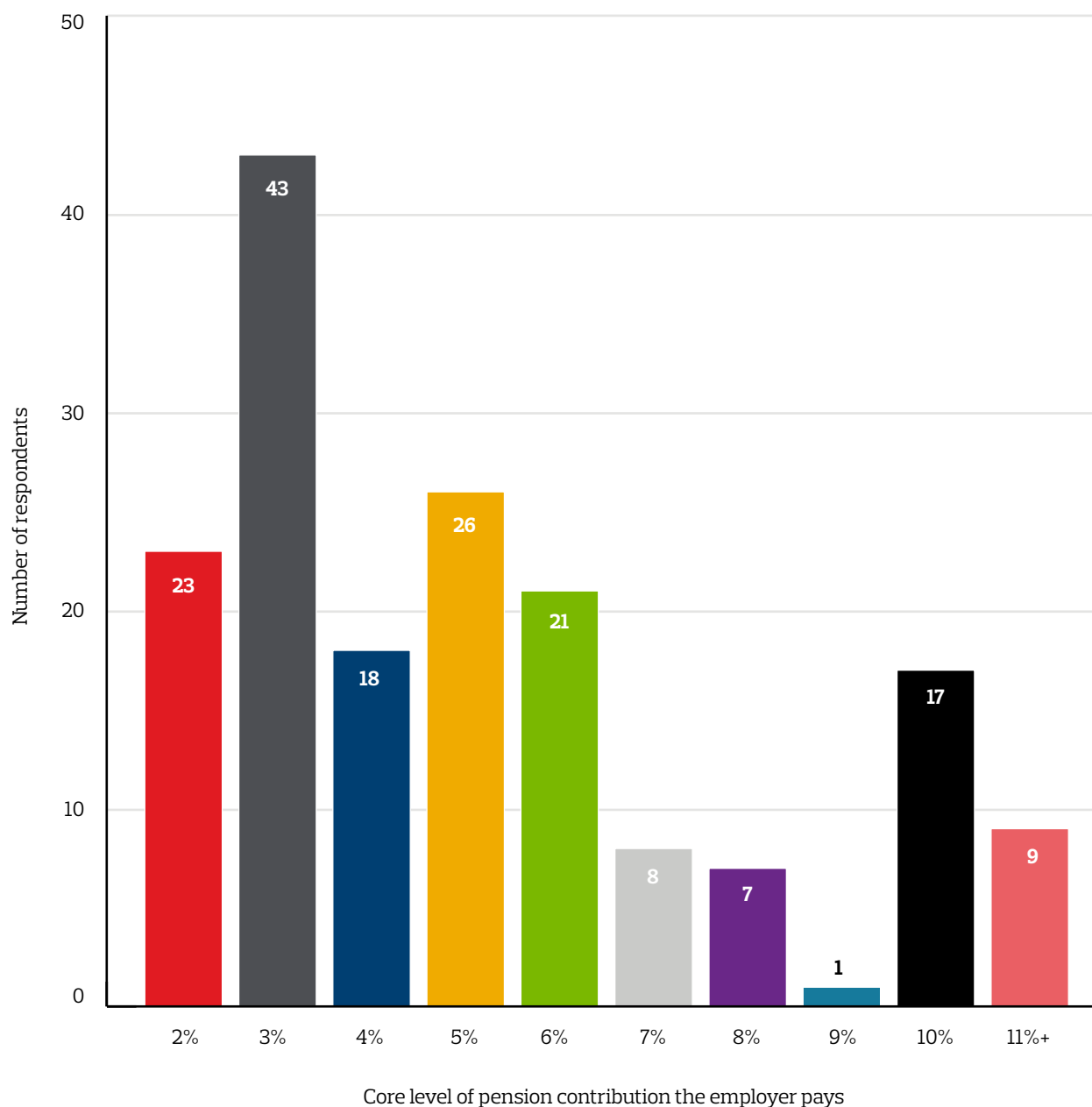
If yes, what do you plan to implement?



The focus on pension related matters does not correlate with the responses evidencing that many employers consider an employee's wider financial wellbeing their responsibility (62.5%) with 64.5% planning to take some action, specific services (36%) or communications (42%) over the next 12 months+. If this is truly the case we would anticipate seeing a greater spread of responses across the other financial education services as we move forward in future years.

Question 75

What is the core level of pension contributions the company pays to the majority of employees (i.e. before any matching)?



With automatic enrolment contribution limits due to rise in April 2019, the responses showing the most popular contribution levels being 3% and 5% are unsurprising as they have a direct correlation with the legislative requirements.

Workplace Pensions and Financial Wellbeing

The Aon View

For 2018 respondents, GPP continues to hold top spot for the most popular form of Defined Contribution (DC) pension scheme being operated by respondents. Master Trust has remained constant (5%) over the last 12 months (Question 61).

Pension schemes have traditionally been the core financial benefit offered by employers to help employees long term financial needs (in addition to salary). Over recent years employers have started to evaluate the market for non-pension related financial wellbeing initiatives driven by the evidence linking financial stress with mental health issues, legislative impact of reduced lifetime allowance and tapered annual allowance plus the burgeoning debt position of many employees. The market is still in its infancy but is, we suspect, here to stay as 62.5% of respondents consider employee financial wellbeing to be the responsibility of the employer (Question 72). Underpinning this key directional change are three key themes from this year's responses:

➤ **Cost** - Continues to be the primary driver behind the rationale for pension provider change (Question 68). Cost is one of four factors that will influence the size of an employee's pension fund. As such, driving down the annual management charge (AMC) will help - but it must be taken into consideration alongside the other factors; time (how long you invest for), contributions (how much is paid into one's pension) and performance (how well does a fund(s) perform). These factors should all form part of good governance and reviews, as such it is good to see that 71% have reviewed their pension since 2015 and the introduction of pension 'freedoms' (Question 66) and 40% stating they are planning a review in the course of the next twelve months (Question 67). Additionally, the 48% of respondents needing to increase their contributions to meet automatic legislative minimums (Question 65) will help the 'contribution' factor over the long term. The 81% of respondents who undertake some form of investment review (Question 69) should provide peace of mind that the 'performance' factor is being adequately monitored.

➤ **Retirement** - undoubtedly the pension 'freedoms' have been a welcome introduction for many employees, enabling people to help children/grandchildren onto the property ladder, reducing debt, funding holidays of a lifetime, facilitating early retirement plus numerous other outcomes. With greater choice and freedom comes greater complexity and responsibility, therefore it is surprising to learn that 48% don't know how they manage retirements from their defined contribution pension scheme (Question 62). These concerns have been highlighted by the FCA's summer 2018 Retirement Outcomes Report where under section 1.11 they highlight 'Consumers need further support and protection'.

➤ **Engagement** - email (78%), online self-service portal (63%) and printed communications (63%) are the most popular methods used to educate and engage employees (Question 64).

Although we note 42% offer financial education services focused on pension closely followed by 'none' (38%) (Question 71), Aon's own proprietary research (DC and Financial Wellbeing Employee Survey 2018) evidences face to face interaction to be the form of engagement most valued by employees.



Conclusions

The over-riding themes for this year's survey have been the changing nature of businesses and employees' expectations of today's workplaces. Many organisations are already finding that they are competing for talent against new competitors and that the new roles are resulting in a significant shift in their workforce demographics. There is therefore a requirement to redefine the overall employee value proposition to meet the current and future needs of the employee demographic.

One of the key obstacles appears to be in implementing an effective communication strategy. Most respondents agree that communication is essential in engaging employees, yet the majority do not have a meaningful budget to deliver this. Furthermore, although most of us are using the latest technology to transact and communicate in our everyday lives, progress is still slow in the workplace. This can easily lead to employees feeling frustrated with it feeling "too difficult" to engage with benefits compared to what we're used to elsewhere.

Poor communications and engagement could very easily undermine the drive towards improving employees' financial wellness, which almost two-thirds of respondents agree is the employer's responsibility. And the theme continues as we consider overall wellbeing initiatives and mental health in particular – with most employers recognising its importance but not having specific budgets set aside.

As the old saying goes, the only constant is change. But there does seem to be a particularly rapid pace of change at the moment, much of it driven by technology (and its impact on organisations' workforce model), but also what we call the "mega trends" affecting certain generations (such as low home ownership, historically low personal savings coupled with high debt, increasing longevity and associated eldercare issues, to name a few). How employers respond to this will define how successfully they can achieve their objectives of attracting, retaining and engaging the right people for their businesses.



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