

THE BUSINESS CASE FOR EMPLOYEE BENEFITS:

PART 2 – WHY FAT DIAMONDS ARE AN EMPLOYER’S BEST FRIEND.

White Paper. Helen Craik, Director of HR Policy, Asperity.

If we’ve got to grips with the language of employee benefits as the first step to building the business case – deconstruct then reconstruct – we’re on the way to making a sound, dispassionate case for rewarding employees with more than just their salary.

Let’s not drive up our own exhaust here: benefits, even the most highly desirable benefits, don’t pay the rent, salaries do. But a good employer aspires to offer an employment package and not just a straightwage, to make the worker engage with the organisation in a positive way over and above the all-important but soon taken for granted bread and butter of the payslip.

This needs a rounded approach to employment relations and reward, as well as aspiration on the part of the employer to rise above the transactional nature of some employment relationships. It needs benefits. And the benefits with the best cost/return ratio are Fat Diamonds.

This fable carries two important messages. You get what you reward and we often get into the habit of rewarding inappropriate behaviours, while ignoring the correct ones. Applying this principle to flexible benefits, are yours really flexible and are they a benefit to your organisation and its employees?

The model

Let’s consider benefits against 4 continua:

- cost
- hassle factor
- value to employer
- value to employee

It becomes clear that a benefit which is low cost, low hassle and has high employer and high employee value is a must-have, the no-brainer benefit employers should include in their employment package as standard, for everybody, from day 1.

Equally, a benefit characterised by high cost, high hassle, low employer and low employee value should give any organisation pause for thought and might be labelled a ‘dustbin’ benefit. It is easier to make decisions about whether or not to include these two types in a benefits package; more difficulty comes with the high value, high cost benefits or low hassle, low value ones.

So, of course, some questions have to be addressed before the plotting against the axes takes place.

The questions

What is ‘low cost’? How much admin is enough to take an employer over the ‘low hassle’ threshold? How much hassle is too much hassle? And how do you arbitrate on employer v. employee value? If very few employees value a benefit very highly, how does that stack up against lots of employees valuing a benefit only somewhat?

The table identifying **Benefits Additional To Salary** from Part 1 of this discussion is a good starting point to quantify these attributes and is adapted below. Some of the findings are straightforward and broadly non-contentious and some are more complex. Salary sacrifice benefits (except possibly salary sacrifice pensions) for example are low-cost. But not everyone will agree that a final salary pension scheme necessarily has a high value to employers. HR professionals, employers and employees may have their own view on where certain benefits sit on the continua.

There won't be universal agreement on how much trouble, in the overall scheme of a year's workload, it is to organise a staff party; in some organisations it's the nightmare that no-one wants and in others it's fun and a welcome break from less exciting tasks. Recent research shows that employees won't necessarily thank their employer for a do anyway, with 63% of workers apparently preferring not to go to their work's Christmas party¹. Death-in-service benefit is likely to have a much higher value to employees with dependents than those without – and will likely have high value to any HR professional or senior manager who has faced the distressing task of advising the dependents of an employee who died in service that outstanding wages are the only monies due.

But in quantifying BATS, just as in any 'soft' measure, the fact that it is tricky and open to debate should not stop the process - you have to start somewhere, so here goes.

The Groups

Interestingly, none of the benefits come out as a 'dustbin' – nothing is high cost, high hassle, low employer and low employee value, meaning it would rarely have a place in a benefits scheme and, without a compelling historical or person-specific reason for retention, would be consigned to the benefits bin by a logical employer.

That leaves 3 groups:

- Fat Diamonds - low cost, low hassle, high employer value, high employee value: every organisation should offer these benefits
- Thin Diamonds – valued but expensive, have them if you can afford them
- Questions marks – exactly that, you need to give these careful thought

Fat Diamonds

Benefits which an employer can add to employees' salaries or wages for little cost and administration, and which have a positive impact disproportionate to the low cost of the benefit, are 'fat diamonds'. Take-up levels of some of these benefits may not sound impressive but the barriers to providing them are so low that employers should include them anyway. In addition to the considerable value of each of these benefits to people who do use them, even employees who don't will see them as being a desirable add-on to their employment – if a colleague dies in service and all the employer has to offer is the remains of the weekly wage, the PR is dreadful and the simple human cost more so. If employees don't want to cycle to work personally, they will see the sense in encouraging others to do so and will probably like the idea that they might, one day when it isn't raining, decide to cycle in themselves on a tax-efficient bike. And most employees expect their employer to offer access to discounts on various goods and services.

From the table opposite and the diagram below, it can be seen that the Fat Diamonds are:

- A discounts scheme
- Childcare vouchers
- Cycle to work scheme
- Season ticket loan
- Life assurance
- Employee assistance programme

Benefit	Cost	Hassle	Employer Value	Employee Value	Grouping
Employer-funded pension	High	High	High	High	Thin Diamond
Total reward/remuneration statement	Low	High	High	Low	Question Mark
Employee discounts	Low	Low	High	High	Fat Diamond
Company car	High	High	High	High	Thin Diamond
Car allowance	High	Low	High	High	Thin Diamond
Childcare vouchers	Low	Low	High	High	Fat Diamond
Cycle to work	Low	Low	High	High	Fat Diamond
Mobile phone salary sacrifice	Low	Low	Low	Low	Question Mark
Season ticket loan	Low	Low	High	High	Fat Diamond
Staff party	Low	Low	High	Low	Question Mark
Independent financial information	Low	High	Low	High	Question Mark
Private medical insurance	High	Low	High	High	Question Mark
Life assurance	Low	Low	High	High	Fat Diamond
Permanent health/critical illness Insurance	High	High	Low	High	Question Mark
EAP	Low	Low	High	High	Fat Diamond
Dental/optical insurance	High	Low	Low	High	Question Mark

Thin Diamonds and Question Marks

Highly desirable benefits – Thin Diamonds - come at a considerable cost and will be right for some organisations and either prohibitively expensive or not right for others. The cost takes them well out of the must-have, all-employee benefit and makes them either specific to a role or level of seniority, or, in the case of employer-funded pensions a major investment beyond the means or spending inclinations of many organisations.

That said, employers need to consider now the impact of compulsory contributions to employees' pensions which will come into force in 2012. This will move employer-funded pensions from being an optional benefit to a core benefit, similar to holiday, in as much as the law dictates a certain amount must be provided but enhancing this entitlement is up to individual organisations.

Question marks need careful consideration but in essence, to be a good employer with a desire to retain and cherish your staff, if you can afford them, do. While the maths is not as straightforward as for Fat Diamonds, the message a good benefits package sends to employees is very valuable in itself.

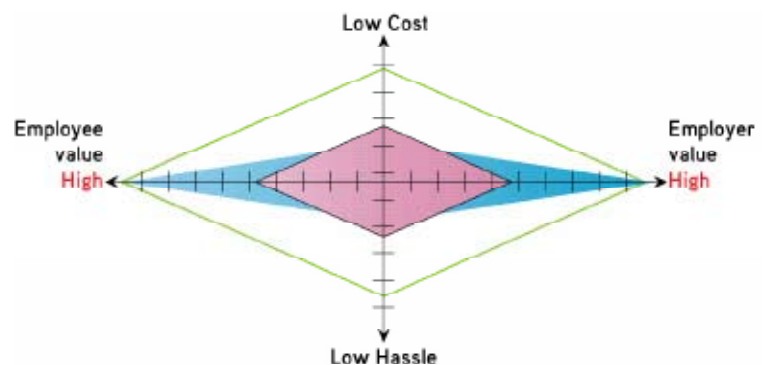
But it's Fat Diamonds which really are an employer's best friend.

Different drivers makes the benefits low cost This might be because of collective buying power (e.g. discounts or death-in-service) or legislation (e.g. childcare vouchers or cycle to work schemes) but whatever the underlying cause of the advantage, employers need to pro-actively consider offering these to staff. Reasons for not doing so range from 'never thought of it' via 'too complicated' to 'we don't do benefits' but employers need to get over these imaginary hurdles and raise the level of the psychological contract with employees by adding Fat Diamonds as standard.

For well under £50 per employee per year, an employer can have nearly all of the benefits in the 'Fat Diamonds' group and the return on this investment is significant.

A benefits offering with at least these components turns a wage into a package and raises the employer above the run-of-the-mill.

Get the Fat Diamonds.



About Asperity | Asperity Employee Benefits provides integrated voluntary benefits to over 200 organisations in the public, private and non-for-profit sectors. With employee discounts as the core module, services include childcare vouchers, cycle to work and employee - paid cashplans.

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