Transforming Benefits into a Business Asset
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How do you turn benefits into a business asset?

HR leaders know that benefits are a vital, strategic tool they cannot afford to ignore and yet many companies face challenges in this area. According to a recent report from Thomsons:

“As businesses continue to expand and compete for top talent, more of them are realizing the importance of a unified benefits and rewards strategy for their workforce. Only half of companies today have a benefits strategy in place, however, a significant number do not. As the workforce becomes increasingly mobile and the drive for top talent gets tougher, a benefits strategy will be key in differentiating any employer’s overall proposition.”

Benefits are the “intangible business asset,” (much like a company’s reputation or their industry expertise) that can define an entire corporate culture, impact employer brand and drive overall business success. With “an evolving benefits landscape and growing employee expectations, employers have the opportunity to cultivate a benefits package that works for everyone.” Just be careful! There’s no longer a “one-size-fits-all” benefits model. Employees want flexible self-service options from employers who understand their needs. And if you’re not offering a mix that develops your employee engagement strategy, you run the risk of employees leaving for a company that does.

Despite this new reality, most benefits strategies are not fit for this purpose. Chances are your business has the same problem.

57% of employees would stay with their employer if their benefits improved

As companies continue to look for new ways to increase the impact that total reward spend has on their business results, it is getting harder to provide meaningful benefits in a cost reduction environment. But it doesn’t have to be that way.
Introduction: Transforming Benefits into a Business Asset

Do your employees understand their benefits?

The short answer is: probably not. Let’s face it, we as practitioners understand benefits because it’s our day job. For the average employee? Not so much. Even wading through the nomenclature and related alphabet soup of benefits can be confusing – CDHP, HSA, FSA, in-network providers and hospitals – you get the idea.

Understanding benefits options is an increasingly complex task for employees, even more so when you consider that less than 9 percent of HR professionals said their employees were “very knowledgeable” about their employer-sponsored benefits AND only 22 percent of HR professionals said they “strongly agree that their company was very effective at informing employees about their benefits.”

It is up to employers to continually educate and inspire employees to make the most of their benefits plans through consistent messaging and support.

Research shows that people learn and remember 80 percent of what they see or do, 20 percent of what they read, and 10 percent of what they hear. This is why visual communications like video and infographics are so popular. In fact, an infographic is 30 times more likely to be read versus a text-heavy article.

What does this mean for you? Mix your benefits communications up and focus on short and sweet messaging that highlights what employees need to know and take action on. Include more visuals and icons than text and use multiple communications methods – everything from email to infographics, to help employees make smart choices.

Less than 9% of HR professionals said their employees were “very knowledgeable” about their employer-sponsored benefits

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5. ADP Spark (2016), HR Benefit Education Is the Key to Employee Comprehension
6. Hubspot (2015), Why Are Infographics So Effective?
1. The Compliance Challenge
It can be tough to untangle the web of compliance that swamps HR teams due to an ever-shifting regulatory landscape. Compliance spans the entire gamut of HR including such key areas as:

- I-9 documentation
- Equal Employment Opportunity Commission (EEOC)
- Occupational and Safety Health Administration (OSHA)
- Title VII of the Civil Rights Act
- Family and Medical Leave Act (FMLA)
- Fair Labor Standards Act (FLSA)

However, it is the area of employee benefits that often presents the greatest challenge to employers.

Employers offering benefits must navigate specific regulations that read like a mixed numerical alphabet soup under Internal Revenue Code (IRC), along with specific regulations under the ACA, ADA, ADEA, ERISA, GINA, MH/SUD, HIPAA, and COBRA to name only a few.

Employers must deal with a variety of federal agencies that issue and enforce these regulations, including the Internal Revenue Service (IRS), the Department of Labor (DOL), and Health and Human Services (HHS), not to mention individual states.

Failure to accurately meet all of the compliance requirements in a timely fashion – especially in the area of employee benefits – can be costly, as the chart highlights.7

<table>
<thead>
<tr>
<th>Company/Industry</th>
<th>Violation</th>
<th>Penalty</th>
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<tbody>
<tr>
<td>Retail</td>
<td>I-9</td>
<td>$228,300</td>
</tr>
<tr>
<td>Construction</td>
<td>I-9</td>
<td>$227,251</td>
</tr>
<tr>
<td>Nishimoto Trading</td>
<td>EEOC &amp; Hiring Practices</td>
<td>$400,000</td>
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<td>FedEx</td>
<td>EEOC &amp; Hiring Practices</td>
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<td>Bank of America</td>
<td>EEOC &amp; Hiring Practices</td>
<td>$2,180,000</td>
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<tr>
<td>Cignet Health</td>
<td>HIPAA</td>
<td>$4,300,000</td>
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<td>Affinity</td>
<td>HIPAA</td>
<td>$1,200,000</td>
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<tr>
<td>WellPoint</td>
<td>HIPAA</td>
<td>$1,700,000</td>
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<tr>
<td>The Russell Group</td>
<td>COBRA</td>
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</tr>
<tr>
<td>Retail</td>
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<tr>
<td>Advocate Health</td>
<td>FMLA</td>
<td>$11,650,000</td>
</tr>
<tr>
<td>Chase Mortgage</td>
<td>FMLA</td>
<td>$2,200,000</td>
</tr>
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7. Department of Labor (2016)
However, the penalties on the previous page pale in comparison to those under the ACA, based on estimates by the Congressional Budget Office (CBO) as shown below:

Accenture estimates that some employers, who tried to comply with the myriad of regulations under the ACA, will have made inadvertent errors, resulting in penalties beyond those estimated by the CBO. Keep in mind that the estimates are for calendar year 2016 only – similar penalties could be imposed each year from 2015 onward for failure to fully comply with the ACA.

On top of these compliance and reporting needs, HR teams are expected to use technology that streamlines and integrates widely disparate systems, including HRIS, Payroll, Benefits, and Time/Absence Management – while also maintaining data-privacy requirements to protect sensitive information. It’s no wonder that nearly half of companies reported in a recent survey that they do not know how many fines they incur for non-compliance or how much it costs their organizations.

So what does this tell you, aside from listing all the acronyms you need for the week? In short: stay up to date on the latest regulatory changes; continuously evaluate your technology and reporting to make sure you’re getting the data you need to maintain compliance; and establish a clear communication process from senior HR leadership to your executive team so they’re up to speed on potential HR compliance risks and recommended remediation.
Employers need to make the investment in a strong technology foundation; one that’s coupled with process outsourcing, compliance, and insights through reporting, along with data cloud security. There aren’t a lot of providers that offer the complete package. That’s why it’s crucial to do the research,” said Soumaia Mawad, senior divisional vice president at ADP.
The good news: employees increasingly want to take control of their benefits.

What the multi-generational workforce needs

Control can mean that they want a menu of benefits options tailored to meet their needs and life stages, or they want to be able to access their benefits on mobile devices and tablets, wherever they are, whenever they need to. That’s no small ask!

One of the most daunting challenges employers face is how to manage that menu of benefits options among a multi-generational workforce. As the number of Generation Z (born 1995 or later) employees entering the workforce grows and Millennials (born 1981-1995) move into leadership roles, employers must offer benefits that suit differing needs.10

So how can you stay on top of those needs and cater to your workforce?

In order to integrate feedback into your HR process, use your onboarding and annual enrollment seasons as initial and continuous engagement strategies to generate responses from your employees.11

Communication is key. Employees rarely think about life and disability insurance until they need them. Take a look at your benefits packages and identify the benefits that are under-utilized, as they should be, and promote these benefits individually throughout the year. Don’t forget about employee discounts and services offered by Employee Assistance Programs.12

Benefits Matter to Millennials

| CHOICE OF EMPLOYER | More than 87% say benefits play a significant role in their choice of employer 87% |
| CHOICE TO STAY WITH EMPLOYER | 86% say that benefits play a significant role in their decision to stay with their employer 11 |

69% of HR leaders say managing a multi-generational workforce is one of their biggest challenges10

78% of workers – including Millennials, Generation X and Boomers – say the benefits package is crucial to their decision to accept or reject a job13

11. ADP Spark (2016), Attract, Engage and Retain with Multifaceted Benefits Plans
12. ADP Bottom Line magazine (2016), Going from BAD to Good: Overcoming Benefits Appreciation Deficit
A harmonized benefits process that looks the same, works the same, and can be easily accessed across your whole business by employees and managers, has become an absolute necessity.

What’s next for your HR team (and what your employees will expect)

Simply providing a long list of options to try and please everybody will set you up for an administrative nightmare, especially if you don’t have the software and logistical support to back it up.

You need a single software solution that can streamline employee eligibility, benefit calculation, communication, and workflow management, within a safe and centralized digital environment.

According to Chris Bruce of Thomsons Online Benefits, “…employees are continuing to push for more openness and transparency. They are demanding increased access to benefits and rewards information, which will place benefits management software at the forefront of HR discussions. Employers are also looking to SaaS-based solutions to provide employees with a user-friendly HR portal where they can easily manage their benefits packages online and is optimized for tablet and/or smartphone use. [Employers] will continue to see a shift in companies moving to centralized HR processes with automated benefits administration.” 14

Using the Cloud to centralize benefits and drive employee engagement is now a business priority. A recent Talent Trends Survey found that HR leaders want to share information better through online communities and social networks, with 50 percent saying they plan to invest resources in the next 12-24 months. 15

What are you waiting for? You need to invest in your resources and fast, before your competitors do.

50% of HR leaders will use more online communities and social networks to communicate their benefits policy15

14. Thomsons 2015 Global Employee Benefits Watch
15. The Randstad Sourceright 2015 Talent Trends Report
3. The Solution to Increase ROI
Employers that communicate benefits effectively and take employee wishes into account, see a higher value in return when determining which benefits to offer.

Why it’s imperative to listen and communicate with employees

Research by MetLife backs this up. The more employees value their benefits, the more engaged they are in their work: “We also saw similar results when we asked questions about an employee’s level of commitment to their employer – the more the employees valued their benefits, the more committed they were to the employer. If an employer increases an employee’s perceived value of benefits by 1 point on the 5 point agreement scale, it increases the employer’s sense of engagement to the employee by 12 percent.”

Employers that communicate benefits effectively and take employee wishes into account when determining which benefits to offer, see higher value in return. They can actually transfer HR costs to employees through the use of flexible benefits, voluntary benefits and salary, and at the same time boost engagement by meeting individual needs.

By increasing the perceived value of employee benefits by 1 point on the 5 point agreement scale, the employee’s engagement improves by 12%.

How to empower employees with a flexible rewards policy.

The way to offer benefits that appeal to all members of the workforce is through flexible benefits packages. If you offer a broad range of choices that can be mixed, matched and changed at different life stages, then there is truly something for everyone.

With standard benefits such as medical, dental and vision becoming benefits table stakes, employers also need to consider voluntary benefits such as critical illness, accident, hospital indemnity, and cancer insurance as a way to help drive an employee’s satisfaction and loyalty.

Another indication of the connection between number of benefits offered and employee loyalty can be found in the consistent climb over the past two years in the percentage of employees who would recommend their company as a great place to work.

Employees who say they would recommend their organization as a great place to work¹⁷

¹⁷ Metlife (2015), 13th Annual Benefit Trends Study
Employees who were offered a greater number of benefits were more likely to make this recommendation, suggesting the role voluntary benefits can play in this positive trend.

Research by Willis Towers Watson into flexible benefits finds that 54 percent of HR respondents believe that flexible benefits improve the image of their organization, and around the same number suggest that their benefits plan has improved recruitment and retention of talent.\(^{18}\)

Benefits are reflecting big changes in working practices towards individual responsibility, which is expected to translate into a huge rise in home technology (laptops, tablets) offered through the workplace.

According to the Reward and Employee Benefits Association (REBA) survey, reward and benefits managers project a 42 percent increase in home technology offerings appearing in employee benefits packages starting in 2016. The provision of financial education and advice is also rising, with a 28.6 percent rise in employers planning to introduce it in 2016 compared to 2015.\(^ {19}\)

Another added benefit is that this also frees up HR teams from the burden of complex administration. When employees take control of their benefits, they’re empowered to directly engage with their benefits on their own time, using the same technology that they have at home, and making any necessary updates without the need for HR administration support. Offering choices and control sends the message to employees that the company listens to them and recognizes their needs.

54% of HR respondents believe flexible benefits improve the image of their organization.\(^ {18}\)
4. Conclusion: Realize the Benefits
Conclusion: Realize the Benefits

Turn your Benefits into a Business Asset

To be successful, it helps to have the right support. Outsourcing with an expert partner allows your business to bundle everything into a centralized digital environment that’s safe and secure, giving you access to global and local 24/7 support. Support like that sets you up to transform your benefits strategy from an HR and administrative headache, into a major recruitment, engagement and employer brand strategy. Cloud-based consolidation is the industry standard for HR administration now. It offers consistent user interfaces, well-protected data, reliable auditing and reporting – all delivered through a single solution and point of contact.

By now you should recognize how a flexible approach to benefits can be a hugely beneficial, strategic tool. These plans can unlock employee engagement and at the same time relieve your HR team from the day-to-day management of tedious benefits administration processes – if you’ve invested in the right systems and means of communication, that is.

Isn’t it time to turn your employee benefits into a business benefit?

24/7 access to global and local support, 100% of the time.
5. Employee benefits policies affect everyone but what does it mean for the CEO, CFO, CHRO, and CIO?
CEOs
Every CEO needs to ensure that an effective and flexible benefits policy is executed – one that incentivizes employees to live by the company’s values, and carry out the business strategy. CEOs should recognize that employees demand more personalized benefits to meet their needs as individuals – or else companies risk key talent leaving. With a multi-generational workforce, talent war and mobility, a flexible approach to benefits – which is not necessarily more expensive – can make the difference between staying ahead of the competition or being overtaken by them.

CFOs
CFOs have a lot to worry about: risk mitigation, how to ensure compliance and avoid penalty fees, and how to maximize the benefits spend. To support those needs, it’s valuable to have a truly accessible online benefits system, one that updates in real-time and supports the overall benefits strategy of the company (with an outsourced partner if you have one). This will open up a range of tax-efficient benefits, such as excise taxes, health savings and reimbursement accounts, pension contributions, childcare vouchers, and additional annual leave, all while promoting employee engagement and productivity.

CHROs
HR is in a unique position to continually educate and inspire employees to make the most of their benefits plans through consistent messaging and support. The CHRO needs to stay nimble in an ever-shifting regulatory landscape and the demands of a multi-generational workforce, and work to optimize and streamline systems to support the HR team. Things like employee self-service, customized HR portals, mobile resource, and steady employee benefits education can turn benefits into a powerful engagement driver.

CIOs
CIOs no longer burden themselves with information systems nightmares from a mix of manual processes and inconsistent software programs that do not speak together. Instead, CIOs of leading companies are now automating and integrating benefits administration within a safe and centralized digital environment, allowing employees to access their benefits online wherever they want. Using the Cloud to centralize benefits and drive employee engagement is now a business priority.
About ADP (NASDAQ-ADP)

Powerful technology plus a human touch. Companies of all types and sizes around the world rely on ADP’s Cloud software and expert insights to help unlock the potential of their people. HR. Talent. Benefits. Payroll. Compliance. Working together to build a better workforce. For more information, visit www.ADP.com.

To find out how ADP can deliver better benefits for your workforce and impact your business, visit ADP.com or call 1-800-CALL-ADP (800-225-5237).