

# Global developments in Employee Benefits

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# Today's Discussions



## Benefits matter now more than ever

- What have been the prevailing trends in benefits? How is commitment to employee benefits evolving?



## Drivers of change

- What are the forces shaping the future benefits marketplace?



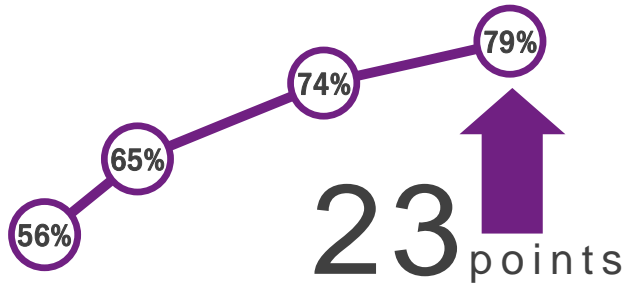
## The future of benefits

- How are benefits evolving and where this leads to?

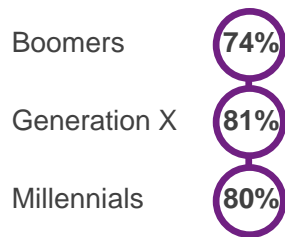
# IMPORTANCE OF EMPLOYEE BENEFITS ON THE RISE

Employees' flight to security

Sponsor's retirement plan is the primary way participants save for retirement...

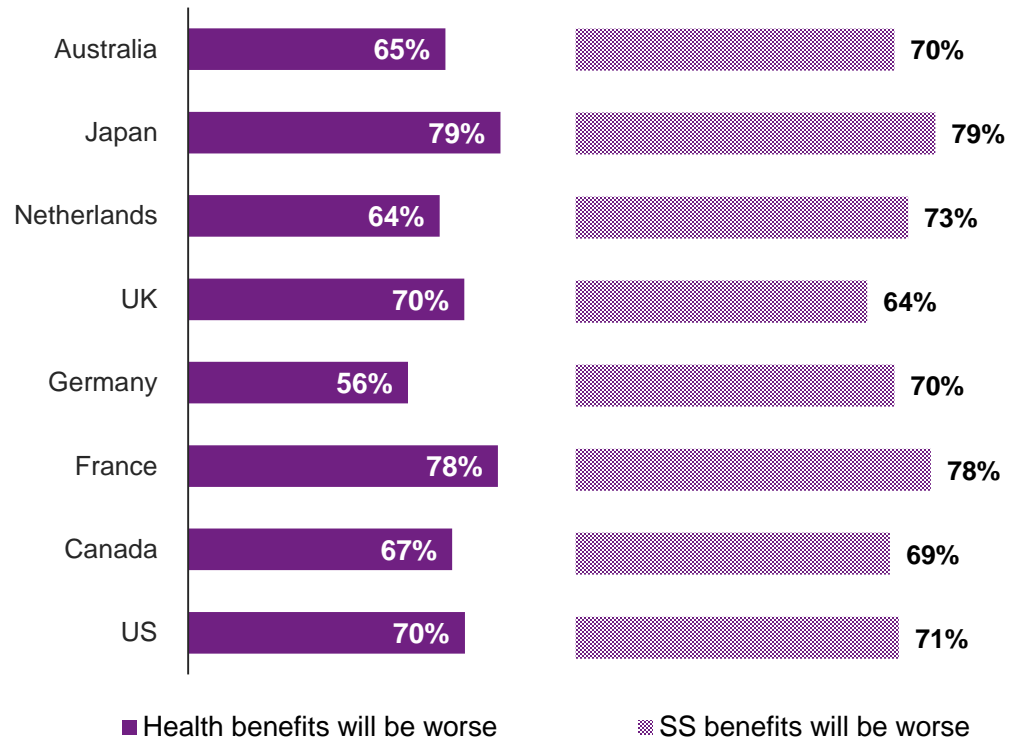


... across all generations



2009 2010 2011 2012 2013 2014 2015

Fears over reductions in Government benefits (health and retirement) are widespread

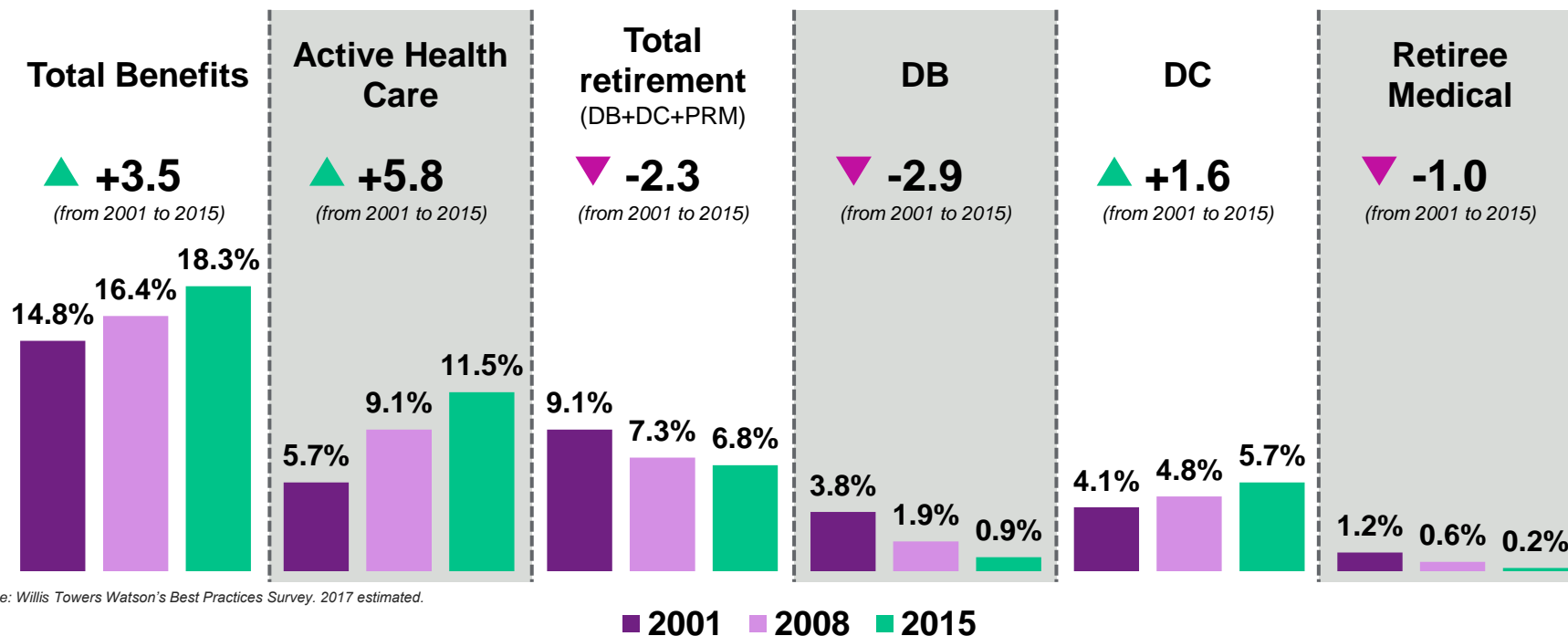


Source: Global Benefits Attitudes Survey, U.S (several waves).  
Sample: Full-time participants with sponsor retirement plans.

Source: Global Benefits Attitudes Survey, 2015  
Sample: US sample, full-time participants rest of the countries all employees.

# EMPLOYERS' COMMITMENT IS CHANGING

## Total retirement sponsor costs (percentage of pay)



## What's driving benefits costs?

Health Care	DB Pensions	DC Plans
New services/procedures	Contribution holidays	Introduction of 401(k)/403(b)
Medical inflation	Declining interest rates	Benefit improvements
Pharmacy spend	Improving longevity	

# DRIVERS OF CHANGE

## STAGNANT WAGE GROWTH

The “New Normal”?

A low-growth world and the increased relevance of employee benefits



## EMERGENCE OF WELL-BEING

An employer responsibility or necessity? Need to offset the burden placed on employees



## TECHNOLOGY WAVE

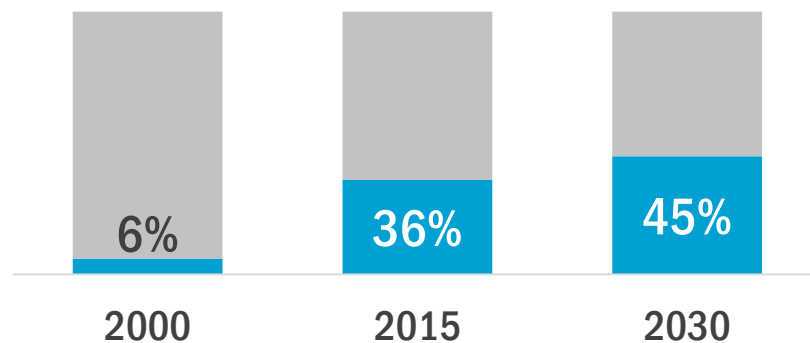
The changes shaping HR and Benefits



## GENERATIONAL SHIFT

The rise of the millennials

Now the most numerous generation in the U.S. labor force



Source: 2000 from OECD, 2015 from CPS, and 2030 from Willis Towers Watson estimates based on Census and BLS.

# RETHINKING THE BENEFITS FRAMEWORK

Responding to changing workforce needs

**From**

**To**

Benefits as a transaction



Benefits as an experience

Less choice



More choice with decision support

Life and disability



Financial planning and broader view of “protection benefits”

Medical and dental



Health and well-being plus rethinking dental delivery

Retirement



Wealth accumulation and financial planning

Subsidized price tags



Subsidy, price transparency and defined contribution (DC)

Vacation



Paid time off (PTO) and leave policies, especially parental leave

Voluntary plans



Lifestyle benefits and services (Millennial focus)

Wellness



Physical, emotional and financial well-being

# EMPLOYEES CHOOSE PRODUCTS THAT MEET THEIR UNIQUE NEEDS

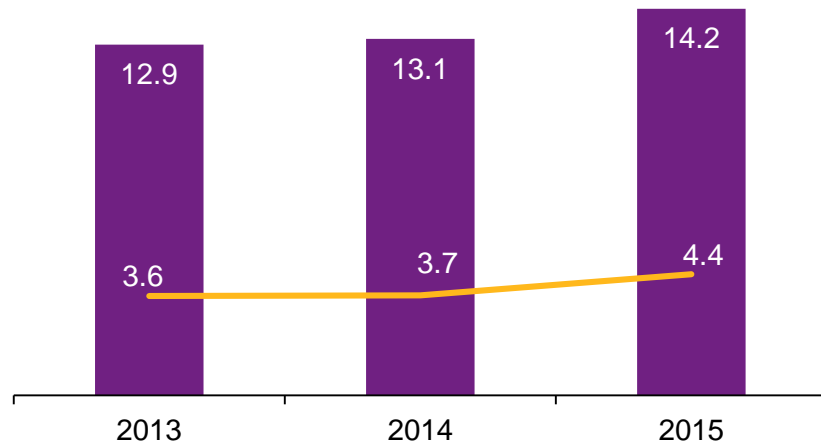
## What are employees buying when they have myriad choices?

### Products purchase

Consumers are purchasing a variety of products to fit their unique needs, and the number of products purchased is increasing over time.

### Demographics matters?

Gen Xers and boomers buy substantially more products than millennials. Married employees, Employees in poor health, High users of the Medical/Rx plans, Employees with financial issues also buy more products



Product categories offered

Products purchased: Employees who bought at least one product

### Percentage of Employees buying 4 or more products

Boomers

42%

Generation X

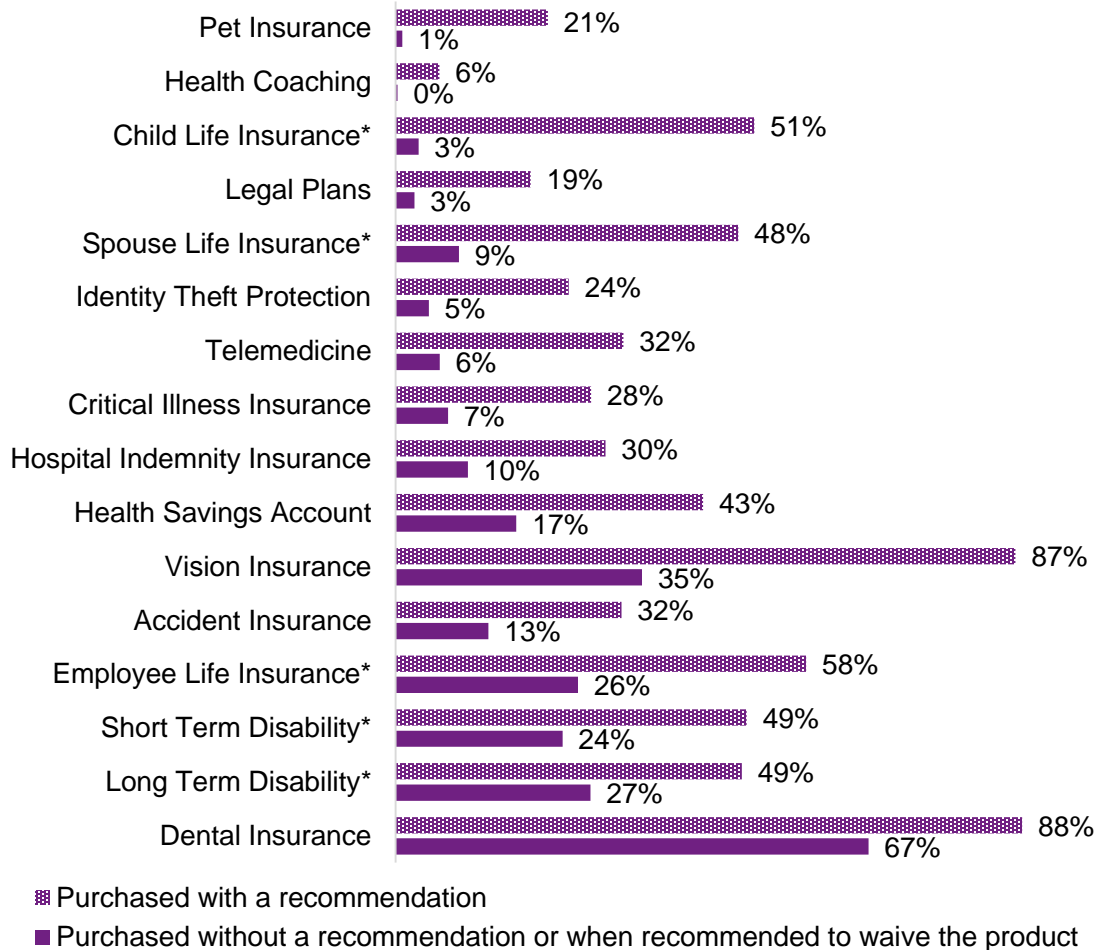
44%

Millennials

30%

# THE IMPACT OF RECOMMENDATIONS

To what extent do system recommendations impact employee buying decisions?



## Consumer grade experience

Benefit technology is enabling new ways of communication and interaction with employees, opening up the possibility of reaching them just in time for key decisions

## Recommendations not view as defaults

But as a starting point and making independent choices

## Effective decision support

Tools can be very effective at pairing up individuals with products that are a good fit for them. Employees respond strongly to recommendations and are 3X to 5X more likely to buy a product when recommended



# PLATFORMS TO DELIVER HIGH-PERFORMING PROGRAMS

Enabling new ways to think about the benefits experience

## Benefits marketplace of the future



**COST MANAGEMENT**



**PARTICIPANT EXPERIENCE**



**CHOICE AND FLEXIBILITY**



**PROGRAM EFFICIENCY**



**PRICE TRANSPARENCY &  
DC**



**RESPONSIVE BENEFITS**

## Putting employees at the center



## BUT KEY CHALLENGES EMERGE

- 1. How to manage choice and flexibility?**
- 2. The power of defaults**
- 3. A fine tune balance to retirement adequacy**
- 4. Technology and the consumer voice**
- 5. What's the role of the employer?**

