

Why SMEs should consider flexible benefits for staff



With insurance premiums increasing across the globe, particularly for health cover, companies of all sizes are keen to find ways to make savings – crucially, without alienating their workforce and while still remaining attractive to potential new recruits. Since the early 2000s, employers have been looking to flexible benefits to help them achieve this.

Known as ‘cafeteria plans’ in the US, flexible or flex benefit programmes give employees the opportunity to set aside a portion of their pre-tax salary to be spent on various benefit options of their choice, building a tailor-made package to suit their own personal needs. This often involves allocating a total rewards value for each employee, effectively setting a maximum budget to cover their salary and benefits, and giving them the freedom to decide how they want to use it.

Analysing the benefits choice trend

While the concept of offering a choice of benefits began with large organisations, smaller ones are now following suit. A 2014 study of global employee benefits trends among small and medium-sized enterprises (SMEs), published by a team of Malaysian academics, found that flexible benefits plans are finding their way into this market segment.

In the same year, a survey by human resources consultancy Mercer Marsh Benefits revealed that 4% of companies with up to 250 employees in the Europe, Middle East and Africa (EMEA) region were offering a comprehensive flexible benefits programme. It’s noteworthy that 69% of participating organisations in the Middle East were not offering any choice of benefits – compared with 47% in the EMEA region as a whole. However 13% of Middle Eastern respondents did offer a choice of employer-paid benefits and 19% offered voluntary benefits – where employees pay for the additional benefits they want.

Overall, around one third of organisations of all sizes said they had introduced a benefits choice programme within the past two years and a further third expected to introduce one over the next two years. In addition, 12% of those were planning to implement a comprehensive flexible benefits scheme.

Attracting top talent

The top reasons companies gave for allowing employees an element of choice in the benefits they receive were remaining competitive in the marketplace (56%), improving employee engagement (55%), and retaining current employees (54%).

Benefits are rightly seen as a key tool for recruitment and retention. Another 2014 study, this time carried out in the UK by health and care provider BUPA, found that 59% of SME employees believed the right benefits encourage happiness and motivation. Around 32% of respondents said they were considering leaving their current role over the next year to move to an organisation offering better benefits, and 42% said benefits were the single most important consideration when choosing a job.

These tendencies hold true in this part of the world as well. A study by one insurer found 39% of people working in the UAE said they strongly hoped to be working for another company in the next year, yet just over half of those considering leaving said an improved benefits package would induce them to stay. Meanwhile 38% cited their employee benefits as an important reason for staying with their current employer.

A recent survey into employee motivation by job site Bayt.com found that unsatisfactory compensation and benefits were among the top two reasons employees in the Middle East and North Africa (MENA) felt disgruntled. Half of respondents admitted to being either somewhat or extremely dissatisfied with their packages.

The argument for flexibility

The types of benefits that a particular employee will value most are likely to change throughout their lifetime, in line with their priorities and responsibilities outside work. A younger employee might be keen to get support with training or boost their take-home pay. A middle-aged worker will probably be more concerned about school fees and life insurance to secure the future of his or her family. And someone approaching the end of their career may prioritise maximising their medical coverage and retirement income.

In an environment such as Dubai, where there's a very high proportion of international workers, there will also be great variation in needs and priorities depending on where employees are from. One study found that 83% of employees in the UAE are very likely to seek medical treatment abroad but only 59% currently have insurance that would cover their care and transport.

So it makes good sense to allow employees to choose a selection of benefits to suit them, while of course ensuring that benefits such as health insurance and maternity leave meet the minimum statutory requirements.

In the past, the ability to offer a flexible benefits system may have seemed out of the reach of smaller businesses due to the associated costs and the complexity of administering them. This is reflected in BUPA's 2014 survey, with just 29% of SME employees saying their company tailored benefits to suit the needs of their staff, and only 9% having been asked what benefits they would like to receive.

However, with SME-focused offerings arriving on the benefits market and the advent of technology such as online benefits choice portals (allowing easier administration of a benefits package) this is beginning to change.

So 43% of EMEA organisations that have introduced flexible benefits say their overall benefits costs have actually gone down, while 23% say the change has had little or no financial impact. And while the remaining 34% say their benefits costs have gone up, some of these may notice the total dropping once their scheme has bedded in.

Obviously SMEs don't have such good economies of scale as their larger competitors, but working with a consultancy that can help with setting up, introducing and running the scheme, as well as providing access to an online choice portal, should help to keep costs down.

Getting the programme right

Across the EMEA region, 76% of employers who have introduced a flexible benefits programme report that employees have responded positively to it. In contrast, this falls to just 35% in the Middle East, where 57% say they have received an even mix of positive and negative feedback, compared to 22% across the whole region. This highlights the importance of implementing your flexible benefits programme with care and making sure that it really does meet the specific needs of your employees. Working with the experts at a benefits consultancy is definitely a sensible approach.

One way to get clarity on the sort of choices your employees would appreciate is to carry out a survey. There are specialist organisations out there that can help you. However, as a smaller organisation, you can probably manage this process in-house using an online tool such as SurveyMonkey, or even by carrying out face-to-face consultations.

But before embarking on this process, it's crucial to consider whether offering a flexible benefits programme is a good fit with your organisation's people strategy. Depending on the size of your organisation and your budget, a voluntary benefits scheme might be a middle ground worth considering. This would give employees the option of topping up their insurance coverage and other benefits on the basis that they cover the additional costs, usually subsidised by a corporate discount. As with a full-on flexible scheme, this can be offered through an online portal for easy administration.

And for small organisations with a budget to match, introducing a more modest choice of optional perks might be more appropriate, at least as a starting point. For example, offering a selection of discounts on useful services, from gym membership to meals at local eateries, or allowing staff to buy and sell holiday allowance can all contribute towards strengthening employee engagement.

Whether or not you offer a comprehensive flex programme or a simpler, less ambitious scheme, one benefit you should definitely consider offering is the option of a pension plan or retirement savings scheme. Retirement provision for expat workers is currently very limited in the UAE, where many organisations just provide the statutory end-of-service indemnity of 21 to 30 days of basic salary for each year worked. So offering a better deal in this area would be a good way to give your organisation an edge in the battle for talent.

One study found that 61% of employees in the UAE are concerned that they may not have enough money for a comfortable retirement. A similar number are worried about falling behind in their savings objectives, while 75% say concerns about their finances distract them at work. Protection benefits such as life, critical illness and disability insurance may also help to allay financial worries about the future. Interestingly, the study revealed that 70% of employees would be interested in these, even if they needed to foot some of the cost themselves.

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Other options to consider include:

- Company cars
- Housing allowance
- Flight allowance
- School fees allowance
- Domestic staff allowance
- Additional maternity leave
- Paternity leave
- Additional holiday
- Supplemental health insurance
- Dental cover

The key is to offer a range of benefits and perks to your staff because this is, quite simply, your responsibility. This is about much more than just showing that you care. Rather, this is about you indeed genuinely caring for your most important company asset – your team – and developing a comprehensive benefits strategy that will meet needs both broad and specific.

Finally, don't feel you have to go it alone. A good insurance consultant will be able to discuss the many possibilities with you and help identify the most appropriate route for your organisation to take. A great deal of thought and planning needs to go into such measures, and there are experts to guide you every step of the way.



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Tanvir is responsible for developing and implementing Lifecare's commercial strategy. He thrives on developing customer-centric business relationships, and as such he is currently focused on revolutionising Lifecare's customer experience and driving the company's digital transformation plans – all with the aim of unlocking Lifecare's full technology potential. With a career spanning back more than 20 years,

Tanvir's experience has been gathered in professional services, banking, and telecommunications, having worked with PwC in Sydney, Andersen in Sydney and London, and Standard Chartered Bank in London. He relocated to Dubai in 2008 and spent a number of years advising and consulting international businesses on how to drive growth before joining Lifecare in 2015. Tanvir graduated with a Bachelor of Commerce degree from the Australian National University in his home town of Canberra and is a qualified Chartered Accountant and a member of Chartered Accountants Australia and New Zealand.