Prove the Package

Benefits spend is greater than the sum of its parts. But is that obvious to clients? Or is everyone down in the weeds looking at separate channels of health and wellness or retirement?

Employers want to attract and retain the best employees and achieve maximum productivity from those employees on the job. Benefits are key — and a huge investment of funds, time, attention, and staff. While specific program elements can show results here and there, the impact of the combined benefits program often isn’t readily apparent.

“In terms of salaries and benefits, employers allocate over 80% of their overall expense budget to employees,” says Brett Shofner, Co-Founder of Hero7, a workplace benefits advisory firm. “That makes your employees your greatest asset. The question is: Do you have enough visibility into this huge capital spend?”

Exhibit 1. The Number Crunch

Over 80% of employer spend is on salaries & benefits.

Benefits make up about 30% of the total cost of keeping a worker on board.

<table>
<thead>
<tr>
<th>Cost Category</th>
<th>Percentage</th>
<th>U.S. average</th>
</tr>
</thead>
<tbody>
<tr>
<td>Real Estate Costs</td>
<td>9%</td>
<td>$21,726</td>
</tr>
<tr>
<td>IT and Tech Costs</td>
<td>8%</td>
<td>$37,73</td>
</tr>
<tr>
<td>Employee salaries &amp; benefits</td>
<td>83%</td>
<td></td>
</tr>
</tbody>
</table>

Source: The Next Gen Workplace, 2016, Kay Sargent, Senior Principal - Director of Workplace, HOK Source: US Bureau of Labor
Is it time to think differently about the true Return on Investment on benefits?

How can plan sponsors achieve that visibility? How can they be confident that their overall benefits package is creating the impact they want? At Lord Abbett, we are recommending that you “prove the package” by measuring the ROI on the employer’s entire benefit stack. Essentially, looking at benefits as a single program versus a series of disparate items.

No wellness silos. No retirement segments. Benefits are viewed as a single program where elements are connected and measured in totality to show their combined impact.

No retirement plan segments

No wellness silos

When you deal in silos you miss things that would otherwise be more apparent in a consolidated framework. The holistic view is one of big picture thinking combined with detailed and cohesive execution. Think about it: The holistic view is simple to grasp and easy to talk about. Simpler conversations can deepen plan sponsor understanding.

Prove the package by measuring the ROI on the employer’s entire benefit stack.

Why this matters right now

Industry changes towards simplicity and consolidation are already in motion. Plan sponsors are telling us they don’t want shiny new products. They want to keep things simple.

At Lord Abbett, we believe that successful corporate services consulting isn’t simply a matter of saying “we can also offer you x, y, and z services.” Your value proposition needs to reveal a larger scope and offer clients proof of what they gain.

Remember, over 80% of their spend is on salaries and benefits. And benefits represent about 30% of what it takes to keep a single worker on board.

Big firms are on to this trend, competing against one another and weeding out the smaller players.

Advisors: You need to step up and be the voice of this change or you’ll be trailing, not leading.

How do plan sponsors get that holistic view? By working with a single benefits advisory firm to provide strategic analysis, cohesion and consistency.

Holistic advisory makes more sense to clients. The trend is toward one advisory firm consulting on the entire suite of the benefits package. Wealth management is a good example of the transition from a transactional to holistic approach, while diversifying revenue and strengthening relationships.
Taking steps to “prove the package” can bring clarity

Todd Harlow, Co-Founder of Hero7, describes it this way: “Essentially, the ROI of an employer’s total benefits program is the measure of connectivity created between employee and employer. It reflects what employers want—to recruit and retain key talent and maximize their productivity—while showing that they have matched their offering to the needs of their employees.”

How do plan sponsors get there? “It starts with a comprehensive benefits gap analysis,” says Brett Shofner. “Here is what you are offering. And here is what your top five competitors are doing in your geographical footprint. How does it line up? What are the implications? And we go from there,” he says.

The analysis can be revealing. “It’s about finding clarity in your approach and creating greater connectivity,” Todd Harlow says. “By proving the package, employers can see the impact of their program in its entirety.”

He adds: “If you had a siloed approach before to your benefits strategy that your employees didn’t feel connected to, now when we look at the whole picture, we can elevate the discussion to some simple yet profound solutions.”

When you invest in your employees, they’re more invested in you.

Organizations also need to “prove the package” to employees. Employees can’t appreciate what their employers do for them if they don’t understand the package of compensation and benefits. You don’t value something if you don’t know what you have.

And that makes communication to employees key. What are employees asking for? What don’t they understand or appreciate?

While the need for financial wellness programs is well established, according to Bank of America’s 2020 Workplace Benefits Report, employees themselves are pushing for support across wellness topics and beyond finances (i.e. health care, student debt, legal services, basic financial skills). 35% of employees feel there is a lot more employers can do to support their overall well-being. And 57% of employees feel their well-being has a great impact on their productivity.

Learn more

We believe that viewing benefits and benefits spend as a single program with a measurable impact can help show plan sponsors a clear return on their investment. To learn more how to obtain this more holistic review and analysis of a benefits program and strategy, talk to your local Lord Abbett Regional Director.
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