


Emily Ross reports on the major trends in employee benefits for 2010

Employee perks

are back on the

menu



Hear the
joke doing the HR
rounds in early 2009?
Q. What employee
benefits do you
offer staff?
A. A job.

The lucky-to-have-a-job employer attitude is looking a lot riskier in 2010. "Organisations that think that do so at their peril," says Mercer principal of human capital Martin Turner. "Employees aren't dumb and they have long memories." As Australia emerges from the global financial crisis, the issue of employee benefits is well and truly back on the table. With Australia's labour force data going in the opposite direction from the dire 9 per cent unemployment levels forecast in early 2009, taking staff for granted is becoming riskier.

The employment landscape, while still soft, is changing. And competition is going to heat up. If a competitor is prepared to offer health insurance, take-away food for a month for new parents, free breakfast and lunch and discount Wii gaming consoles, that sends a clear message to staff and job seekers. That's why Google Australia does it. If an employer in the travel sector promises staff an extra week's holiday like they do at Australian travel and events company etm, that's a very tangible benefit. Ikea has abolished junior pay rates, all staff are eligible for adult rates regardless of age. At Sydney Water, the company offers



two scholarships for the children of staff each year. It also offers an international school exchange program, a \$10,000 university study grant and the company donates \$100,000 each year to four charities chosen by staff. Nice rawcards.

Companies are also outsourcing employee benefits to companies that create elaborate recognition, rewards and incentive programs for their clients. Accumulate has developed programs with 50 of the top 150 listed public companies in Australia. "Around 400,000 Australians have involvement with one of our programs," says Accumulate's general manager Alan Heyward. The schemes offer keen rewards such as music downloads, rough to helicopter trips on Mt Everest and trekking through the Andes. Popular benefits include home entertainment, frequent-flyer points, food and wine.

In the US, companies vying for the title 'best place to work for' are taking things a lot further in the war for talent, offering extras such as adoption support. Employees at Boston Consulting can receive 100 per cent fertility treatment coverage if it's needed; at bonus can be worth tens of thousands of dollars.

Setting up a benefits program can be the easy part. The hard thing is making it work for the business. Problems with employee benefit schemes include:

- A disconnect between employers and employees over what benefits people really value
- Lack of commitment to benefits
- Failure to actively promote any benefits scheme
- Inconsistency with rewards
- Benefit programs that do not positively affect the business in terms of morale and/or productivity
- Failure to effectively use a benefits program to recruit and retain high performing staff
- Failure to use the benefits program for competitive advantage.

RedBalloon Days runs corporate rewards, recognition and incentive programs for companies including Qantas, Virgin Mobile, FedEx and St George. A 2009 RedBalloon Reward and Recognition survey of 3000 Australian employees found that two thirds of employees are convinced their managers don't know what motivates them to be more productive.

Benefits means very different things to

different people, yet many benefit programs have a distinctly generic one-size-fits-all approach about them. A prime example is gym membership. It sounds good, fun and generous but is it something staff really want? In Turner's experience, gym memberships have a very low take-up rate - "only 2 to 3 per cent because most people say they are going to join a gym but they don't," he says. Staff are more likely to want to actually use learning and development benefits or memberships to professional associations, for example.

Getting an employee benefits scheme right is not easy but there are major benefits around retention, recruitment, boosts to discretionary effort, productivity and morale. As the economy moves into positive territory, the war for talent is back on, and employee benefits are an area that will be hotly contested. For businesses that are still struggling through the GFC the message is the same. Says RedBalloon's head of corporate Matt Geraghty, employers must be careful in hard times to continue to recognise staff. "People will remember how they have been treated now so when the economy returns, don't be surprised if they jump ship."

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EMPLOYEE BENEFITS

KEY STRATEGIES for an effective employee benefits scheme in 2010

1 Make sure the scheme delivers real, measurable benefits to staff and the organisation

In November 2009, IBM announced that it would pay 100 per cent of the primary healthcare coverage of its US employees from 2010. The company says that its wellness programs are paying off. IBM reports that expenditure between 2004-2007 of \$79 million has been well worth it, with an estimated saving of \$191 million in health-related costs and improved productivity.

At ING, its Fighting Fit for Life wellness program has seen one of its customer service managers in its Direct Insurances division, Peter Crott, lose 44 kilograms since the start of 2009. ING paid for personal training for Crott, who has become an ambassador for the wellbeing program that includes fun runs and subsidised private health insurance.

2 Find out what floats their boat

"Managers really need to take the time to get to know their people - what makes them tick, what inspires them, what's important to them in both their professional and personal lives," says RedBalloon's Geraghty. When ranking benefits, employers and employees aren't always on the same page. A Mercer survey of 600 employees and 150 HR directors and managers in Australia found that employees ranked private health insurance as the number one benefit they'd like, while employers ranked it 22nd. "Smart organisations continuously dip into their employee group and understand what they are looking for and balance those wants and needs with cost," says Turner.

3 Give credit where credit is due

It's really quite simple. People want to be recognised by their boss when they do good work. According to a 2009 RedBalloon Reward & Recognition survey of 3000 employees, 62 per cent of employees rate their managers as poor or just satisfactory at delivering specific and timely praise. Real-time, consistent feedback, discussion and clarity about career direction and work performance are powerful motivators.

4 It's not the size of the budget, it's how it's used

Fujitsu has an extensive benefits program. There are a few minor perks that while small, can have extremely positive results. Fujitsu offers staff dinner for two for outstanding work and there is a Weekend Away benefit for nominated staff that need to work on their work/life balance. Recruitment bonuses are also paid to eligible staff that refer a successful candidate. These are all simple things but they are all smart pressure points to encourage discretionary effort.

Sydney Water has its Aqua Awards program that regularly rewards staff for excellence with Westfield vouchers of up to \$500. An annual awards night is held. Milestone lunches to celebrate a successful project are also supported by the company. At Carmen's Fine Foods, a perk of the workplace is the special room created for working parents who have a sick child. The room is set up so parents can bring in their child to a 'bedroom' so they can rest while mum or dad works, avoiding the cost and inconvenience of taking a sick day.

Rewarding and recognising staff is not an extra, it should be part of the DNA of the organisation

Sir Richard Branson is a pin-up for employee benefit promotion. He regularly pops up around the world partying with his Virgin staff. This strategy has proven to be a clever way to recruit fun, perky, young staff who want adventure, fun and hate the idea of a dull desk job. For his airline V Australia, staff have other perks that are widely promoted. Staff can access discounted airfares (and for nominated travel buddies) as well as car hire, hotel, travel insurance and lounge discounts.

V Australia offers profit share, parental and adoption leave, salary sacrificing, L&D, 'crew cards' offering discounts on beauty, health insurance and more. The company is also well known for offering global work opportunities for top talent.

Club Lifestyle runs major rewards programs for organisations including Eastern Health's 6800 employees. "I think employee benefits is still seen within large segments of industry in Australia as a bit of an add on," says Club Lifestyle's John Harsent. "The benefits define the culture of the business, who you are and how you work."

Ensure everyone is aware of the benefits

Mercer's Martin Turner sees many organisations falling into the trap of creating a benefits program and failing to use opportunities such as induction programs and the intranet to market the benefits. "Employees aren't aware of the benefits that are on the table," he says, so these companies are likely to have a "sub-optimal return" on their investment.

ING staff in Sydney can go to the company's annual benefits fair where all benefits are on show including its childcare, private health insurance, discounted Apple products, fashion from brands including David Lawrence, Jigsaw and range of financial services (typically discounted from 25-40 per cent). ING also has a benefits portal, runs benefits campaigns in its newsletters and staff updates. "It's something we continually refresh and reinvigorate," says ING's head of organisational development Victoria Doherty.

A one-size-fits-all approach doesn't work

Only 25 per cent of companies offer flexible benefits packaging, according to the Mercer survey. When employees were asked to list their ideal benefits package, 600 people came up with 583 different combinations. A one-size-fits-all approach to benefits just doesn't work. "If you have a vanilla offering, you will get a vanilla response," says Turner. ING's Victoria Doherty believes that finding the unique drivers of all employees is an important part of any engagement strategy.

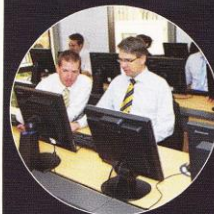
Employee benefits can be an effective way to target key employee groups. Ikea Australia introduced 26 weeks maternity leave on full pay in July 2009 in an effort to attract its core employee group - parents with young families. The benefit is designed to help the business double its Australian workforce to 3000 in the next five years. It also offers four weeks paternity leave for employees with the company for more than two years.

RedBalloon asks its employees' clients to fill in a 'dream catcher' where they list the top 100 things they have always wanted to do, tapping into their personal goals. The wishlist is filed away and employees are given rewards from the list when nominated by their peers for great work. RedBalloon recently arranged for a client to have a day off on the set of her favorite TV show *Packed to the Rafters*. Another client received professional photos of his children. Tears were shed.



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