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Providing employee benefits for a workforce that thinks differently

October 2019: Traditional financial advice has been based on a uniform approach for a relatively uniform workforce. Over the past five years, there has been a shift in the average workforce age, with the so-called Generation Xers (born mid-1960s to 1965 to early 1980s) and Generation Ys – the millennials – now making up the majority of employees.

Statistics show that the millennial percentage of the workforce composition has jumped from 39% to 52%. Those born after 1996 – the Generation Z workers – are expected to make up 24% by 2020, next year.

The new workforce has new needs

Younger people's life events no longer happen in the same linear way as they did for previous generations. Single-parent households, particularly headed by women, far outweigh those where both parents live together. Taking care of parents and extended family, the average employee now has twice the number of dependants compared to five years ago.

For various reasons, millennials change jobs every two to three years. When they do this, they frequently cash out their retirement savings, doing so more than once during their working career. They see retirement as a distant future, and believe that they will have accumulated enough money to retire comfortably when they reach retirement age.

Sadly, death statistics are now higher for younger people, our group insurance data shows that the proportion of unnatural or accident-related deaths is increasing. Critical illness statistics are also increasing. The claims statistics indicate that overall cancer claims have increased by 48% since 2012, representing 15% of all disability benefit claims in 2018. 21% of the claims were paid to employees below the age of 40.

What this should tell us is that we need to understand who these employees are, what their lives look like and what their real needs are. Corporate financial advisers must start considering the new workforce's real needs at each major life event that influences their financial journey.

The reality of who the new workforce is

They lack financial literacy. They are financially vulnerable and don't understand the retirement benefits they have or the terminology around retirement benefits.

They engage differently. They are bombarded with competing information from all sides. If communication is not specific to their needs, when, where and how they want to receive it, they don't engage at all. They want direct information that is easy to understand.

They see retirement differently. It isn't uncommon among the younger generations of employees to have at least one income-generating side hustle to sustain a desired lifestyle. They don't think about retirement because they don't think they will ever have enough funds to retire. They resolve to commit to longer-term plans, hoping that these multiple income streams will sustain them into retirement, or relying on family.

Employee benefits have remained the same

Even though the composition of the workforce has changed, employers are still offering the same major benefits they have been providing in the past.

The reason is possibly a straightforward one. Employer's employee benefits decision makers are generally much older than and earn a much higher salary than the average lower-income, younger employee. They are simply out of touch with the real needs of the workforce.

Taking care of the needs of the new workforce requires different thinking

To provide for the employee benefits needs of a changed workforce, companies now need corporate financial advisers who understand this. They need financial advice and employee benefits solutions with a fresh, new approach.

For example, consider the mentioned increase in the rate of unnatural, accident-related deaths among younger employees. This represents a gap in the benefits traditionally provided, and one that should be looked at differently going forward.

Using technology to solve the employers' dilemma – real people *vs* a virtual, simulated world

Even though information is available at employees' fingertips through technology, this doesn't mean they necessarily understand the information. Neither does it give them the knowledge they need to make decisions that will put them on a sustainable path of providing for retirement.

Employees are real people with real, individual, unique needs. However, most technology, devoid of human interaction, tends to apply a one-size-fits-all or, at best, a broad segmentation model to offer financial solutions.

Technology is certainly the way of the future, but to address the needs of the new generation of employees, it must be coupled with human advice.

Where technology meets real people

The world has changed and keeps changing, and so have the employee benefits needs of the new workforce.

Taking care of employees' needs before and after retirement now requires a fresh approach to advice, technology and solutions. Traditional corporate financial advisers may find it challenging to serve this changed environment.

Solving the real needs of the new generation of employees cannot be accomplished with hi-tech solutions alone. Artificial intelligence solutions cater for averages, and not for unique needs. What will be pioneering, is how technology is used to provide for real, individual needs. For employers to offer solutions to the real, individual insurance and retirement needs of their employees, human advice must form part of the equation.

To provide in the needs of the new workforce, it is imperative that the insights gained through technology are interpreted by a trusted and forward thinking financial adviser.

Smart advice is the only way

Using technology, semi-personal individual advice is possible, and it is scalable. Innovative analytics tools not only help employees to better articulate their needs, they also provide valuable data on employee behaviour. Individual data offers insights that allow for advice on how to adapt individual employee behaviour to set them on the path of providing successfully for retirement.

Smart advice should be holistic. It should consider current trends and the changing characteristics and behaviour of the workforce, and it should be matched with tailor-made solutions. Employees must be able to engage effortlessly around their benefits, on a personal level and in real time – either by SMS or e-mail, or through the web. Employee engagement means employee insight, and employee insight means positively changed behaviour.

Technology and information are only valuable if the data is harnessed to make a real difference where it matters. If the data and results are carefully analysed by a trusted and forward thinking financial adviser, market-leading analytics and reporting can help employers make better decisions for their employees.

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