




Creating a Compelling Employee Value Proposition in Today's Environment

Presented by Kevie Mikus and Marlene Cole

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About Gallagher


RISKS OF A CHANGING LANDSCAPE

- Rising Healthcare Costs
- Market Factors
- PPACA Complexities
- Legal Risks
- Compliance Requirements
- Workforce Issues
- Hiring Challenges

REWARDS OF THE RIGHT SOLUTIONS

- Cost Containment
- Employee Engagement
- Productivity
- Workplace Wellness
- Talent Attraction and Retention

BENEFITS, COMPENSATION, RETIREMENT & RISK MANAGEMENT SERVICES & SOLUTIONS




- Comprehensive Employee Compensation
- Cost-Saving Administrative Support
- Knowledgeable Compliance & Legislative Services
- Wellness & Health Management

LOCAL PRESENCE. GLOBAL RESOURCES.

- 170+ office worldwide
- 140+ countries
- 2,500+ client service employees


DATA DRIVES DECISIONS™



PROPRIETARY TOOLS & ANALYSIS

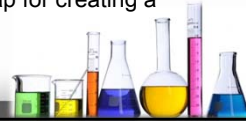
- Health Wellness & Benchmarking**: Health and wellness solutions that align with your organization's goals and objectives.
- Workforce Evaluation**: Identify and address workforce issues that impact productivity and engagement.
- Program Optimization**: Make strategic decisions based on data-driven insights to optimize your benefits program.
- Healthcare Reform Tools**: Evaluate healthcare reform's impact on your organization and develop strategies to mitigate risk.
- Compliance Expertise**: Ensure your organization is compliant with all applicable laws and regulations.
- Global Marketplaces**: Access global talent and resources to support your business growth.
- Private Exchange**: Offer a variety of plan options to meet the needs of your diverse workforce.
- Research Strategy & Benchmarking Survey**: Gain insights into your organization's performance relative to industry peers.

Balance a healthy bottom line with an engaged workforce.




Today's Discussion Points

- **What** is EVP?
- **Key elements** of your EVP
- **Why** is a compelling EVP Strategy important?
- **Considerations** for developing your EVP formula
- **Now What?** Your Roadmap for creating a holistic EVP
- **Q & A**

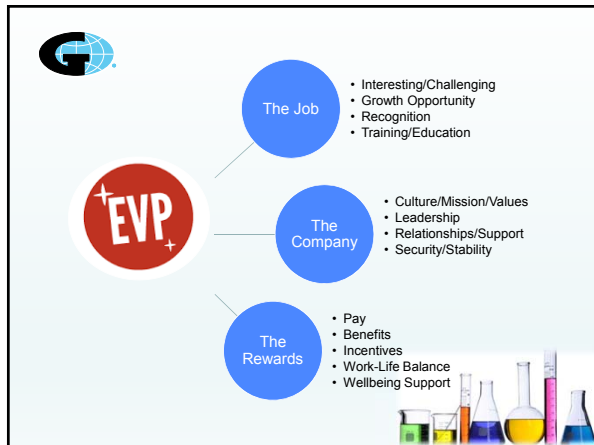


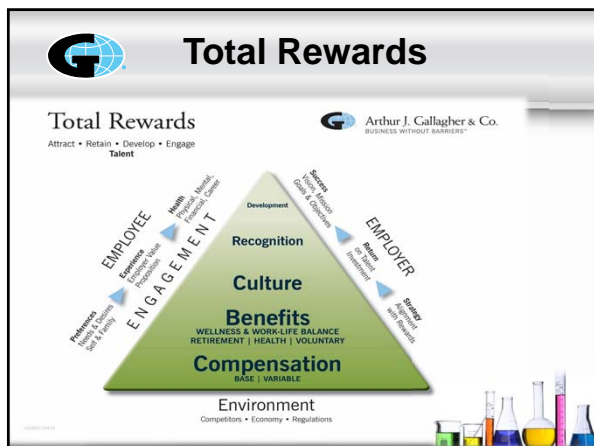


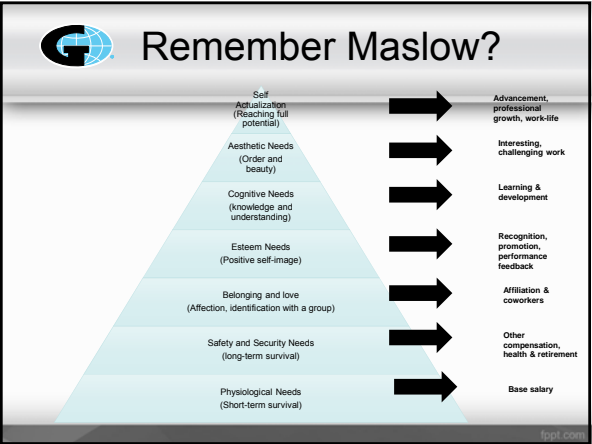
What is EVP?

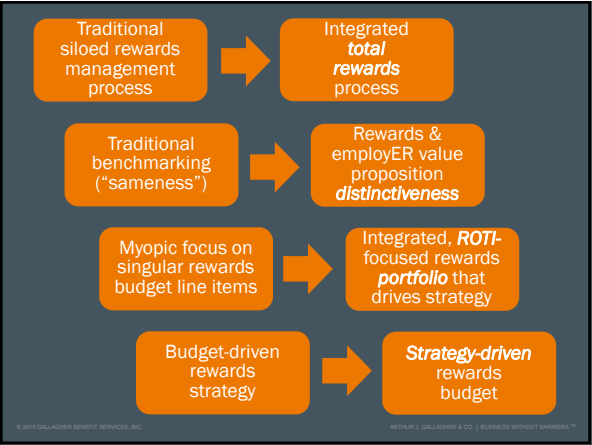


Everything an employee values in the employment relationship.
















Factors Influencing the Necessity of a Holistic EVP Strategy


1. Ever-changing **PPACA** landscape and various provision delays
2. Changing **workforce demographics**, dynamics, and preferences
3. A much more **competitive** business environment
4. Substantial increase in healthcare **costs**
5. Deficiencies in **Retirement Readiness**






Factors Influencing the Necessity of a Holistic EVP Strategy

6. Limited **Merit Increase** budgets
7. Paradigm shift for **Evaluating and Rewarding Performance**
8. New interest in **Private Exchanges** and Defined Contribution strategies
9. Competition for **Talent** (Skill Shortage)
10. Abundance of available information balanced with effective **Communication, Education and Transparency**





Considerations for Your Compelling EVP





Challenges



Top five human resources challenges

- 1 Controlling healthcare expenses
- 2 Recruiting qualified employees
- 3 Keeping up-to-date on healthcare reform and other regulations
- 4 Retaining employees
- 5 Increasing employee job satisfaction

Gallagher National Benchmarking Survey 2015





Know What's Meaningful to Your Employees

Rank	Workplace Elements Important to Employees	Ranked as Very Important
1	Respectful treatment of all employees at all levels	72%
2	Trust between employees and senior management	64%
3	Benefits	63%
4	Compensation/pay	61%
5	Job security	59%
6	Opportunities to use skills/abilities	58%

Source: SHRM Job Satisfaction and Engagement Survey


Engaged employees hold the key to your success!



Cornerstones of Engagement


Organizational success is a function of the people you employ and how engaged they are with your mission. An integrated approach is key to driving employee engagement and business outcomes.


32% of U.S. employees are engaged at work

17.2% are actively disengaged, indicating they are unhappy and unproductive at work and are liable to spread negativity


Source: Gallup

Culture and Effective Communication	Recognition
Alignment with Organizational Goals	
Total Rewards	Meaningful Work






Impact of Engaged Employees



- Actively disengaged employees can reduce revenues by up to 22%**
- Highly engaged employees can drive profits UP by as much as 189%**



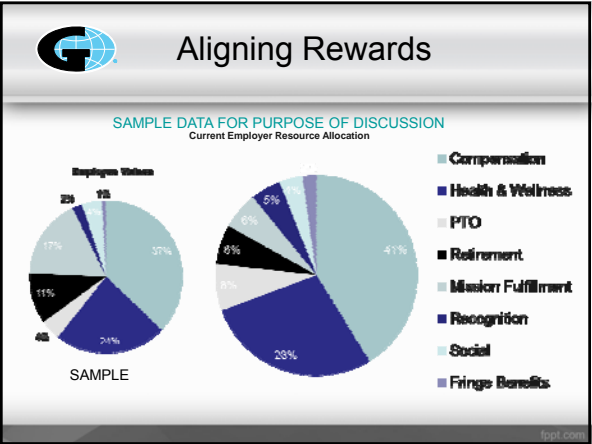
Source: Gallup

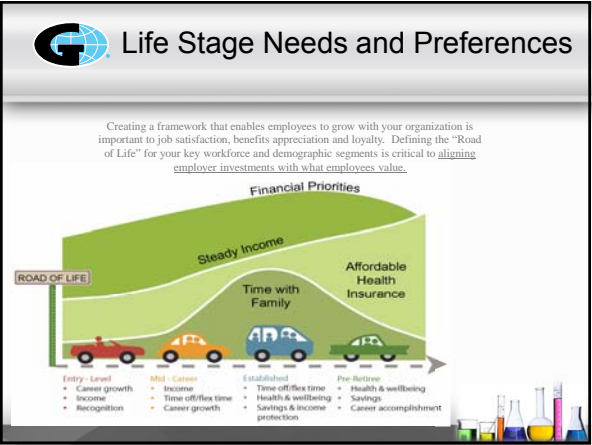


Trends & Best Practices for Effective EVP Strategy Development












Determining Employee Pay

Foundational Reward




Importance of Determining Appropriate Pay




Legal Compliance

- Internal equity / Prevailing wages




Employee Perception

- Pay Practices/ Communication/ Transparency




Good Business


- Recruiting/ Retention/ Profitability



What Factors Determine Pay


- Employer considerations
 - Where employers compete for talent – local, regional or national
 - What talents an employer competes for – the skill/knowledge level
 - How strongly the employer wants to compete
 - Lead the market
 - Meet the market
 - Lag the market
 - Pay mix: base vs. incentives
 - Other offerings (benefits, PTO, flexibility, etc.)







Steps to Consider

Step 1 – Research your labor market(s)




- Determine the value of jobs that are similar to those in your company for your relevant labor market






Tips for Using Market Data

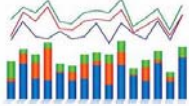
- Be realistic about matching
- Focus on job functions – not title
- Consider the role, not the incumbent
- Find comparables with at least a 70% match
- Use caution with hybrid positions
- Match as many as possible to represent different levels across organization






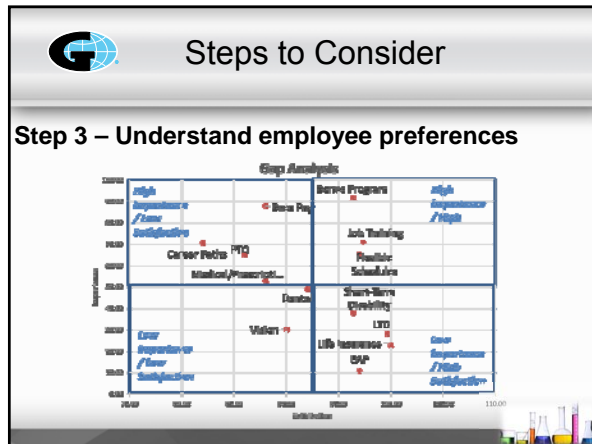
Steps to Consider

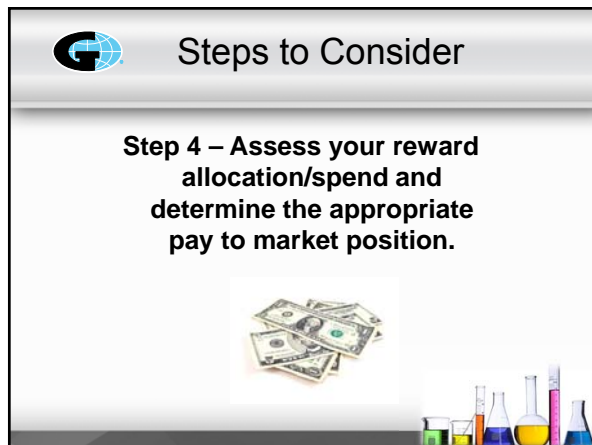
Step 2 – Compare Your Company to the Market

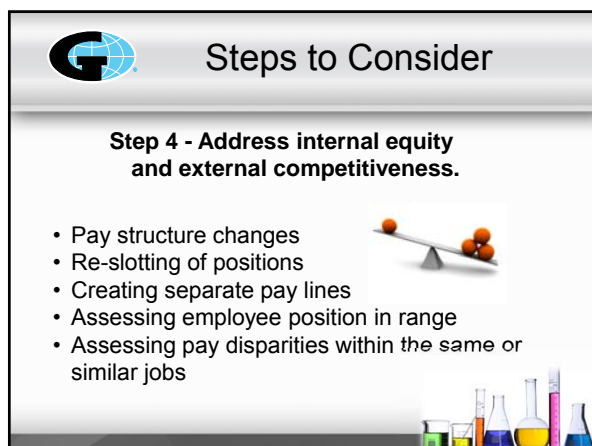


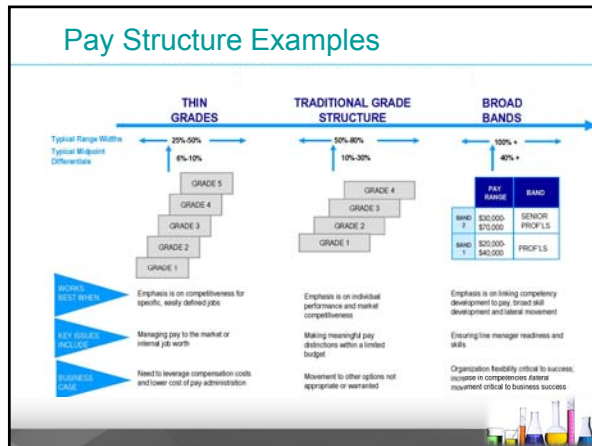
- How do your benchmark jobs compare to the market?
- When you look at the non-priced jobs, how do they fit/compare with those you priced?
- How does the pay for individuals in similar roles compare to each other?



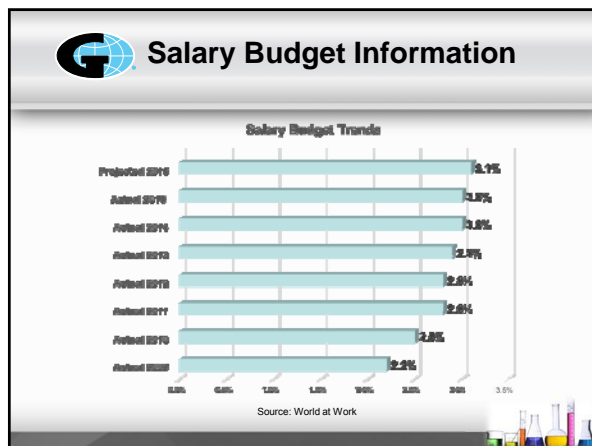


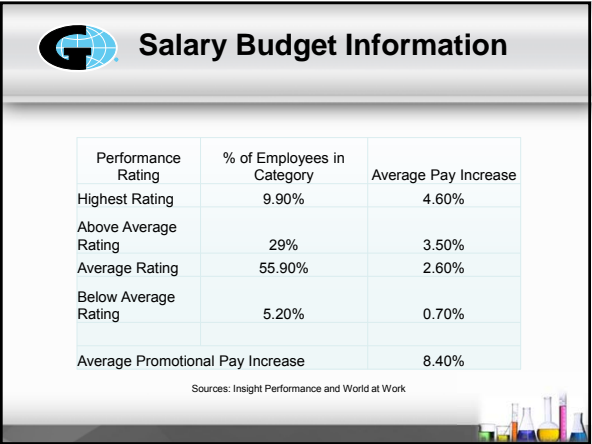


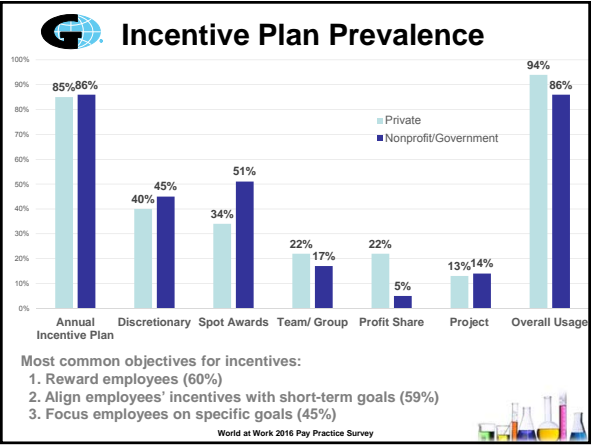


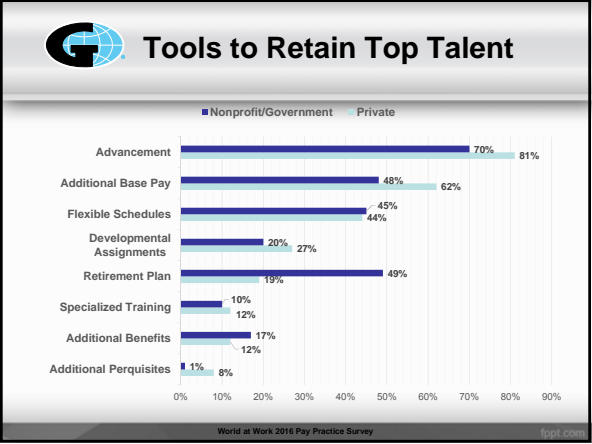


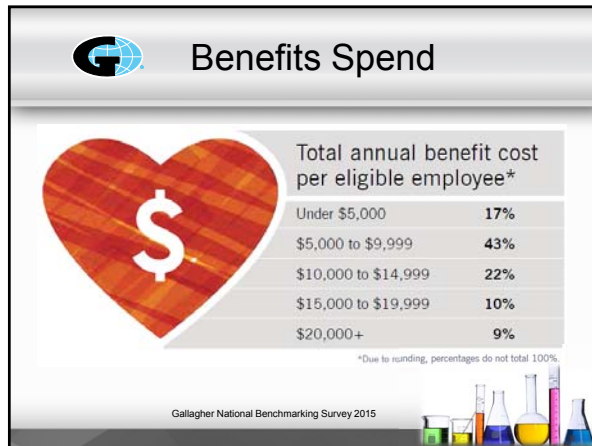


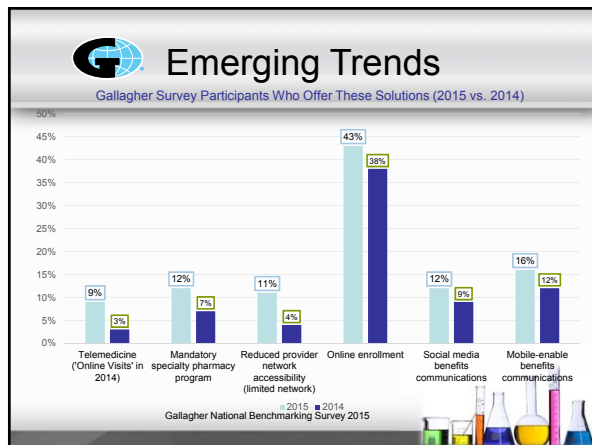














Emerging Trends

Use of Private Exchanges with Defined Contribution funding approach



- Consumerism is fundamental to our way of life;
- Multiple plan options in marketplace setting while providing a defined contribution to spend makes the "one size fits all" impractical
- Employers are looking for a way to cap expenses by providing employees with a defined contribution (set amount) to buy benefits.


- Sponsored employee benefits marketplace;
- Changes the way employees buy benefits;
- Provides choice;



Gallagher National Benchmarking Survey 2015

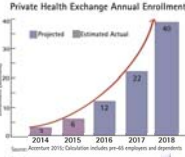
Emerging Trends

History of Exchanges

Largest Private Exchange before PPACA - 1996 

For plan year 2015, enrollment in private health care exchanges doubled from the previous year to hit 6 million, according to Accenture -

- Most of the growth was in the mid-market segment;
- This growth was driven by employers focusing on long-term benefit strategy;
- Involves a strategic shift from viewing benefits in silos to holistically;
- Exchange growth is expected to carry forward into 2016;
- Projections are for 40 million by 2018.



Source: Accenture 2015. Calculation includes pre-40 employees and dependent.

Emerging Trends

The Results from 7 years and hundreds of thousands of enrollments...


~100% Buy a different benefits package

~80% Buy a different health insurance plan

Most buy something less expensive
People rarely cluster into one or two plans

In Year 2, 65% keep the same health plan, 25% evolve +/- 1 level, 10% make radical changes

- ~70% Buy Dental Insurance
- ~70% Buy Disability Insurance
- ~50% Buy HSA qualified plans
- ~50% Buy Vision Insurance
- ~40% Buy Life Insurance
- ~30% Buy Supplemental Health Insurance (Acc, CL, HI)
- ~15% Buy Pet, Telemedicine, Legal, Wellness, etc.




Emerging Trends

The Evolution of "Wellbeing"

Then	Now
Physical health emphasis	Multi-dimensional (employee and family) wellbeing with strong social networks
Benefits strategies for cost management	Employee value proposition, become an employer of choice
Right program and vendor	Right culture and environment
Participation incentives	Inspire change, support, sense of purpose

Inconsistent alignment with mission/vision/values, desired culture, key business objectives

Wellbeing as a cultural imperative that drives engagement and enables high performance





Emerging Trends

The Multiple Dimensions of Wellbeing

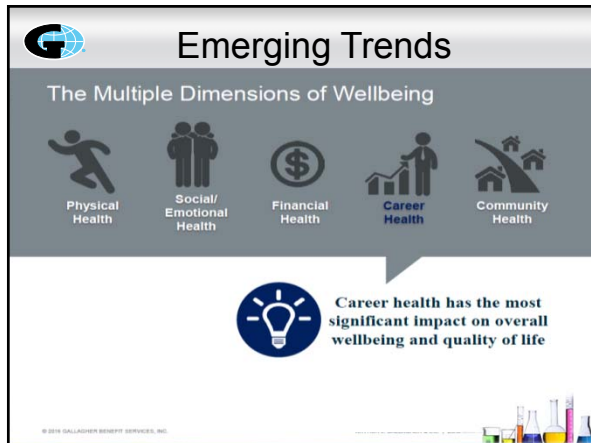
Physical Health Social/Emotional Health Financial Health Career Health Community Health

The **WHOLE** person comes to work every day....

&

each employee's wellbeing influences individual and organizational performance

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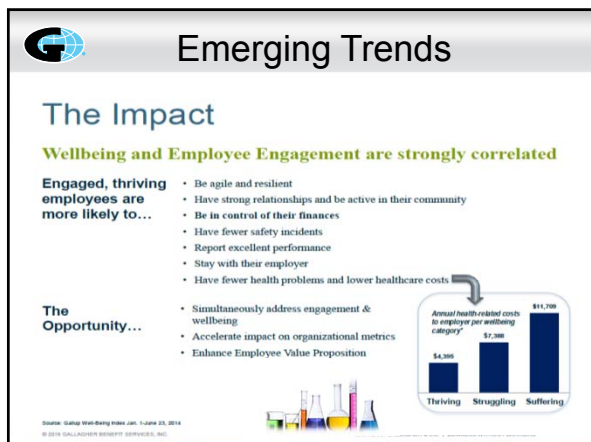
Emerging Trends

The Multiple Dimensions of Wellbeing

Physical Health Social/Emotional Health Financial Health Career Health Community Health

Lightbulb icon Career health has the most significant impact on overall wellbeing and quality of life

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Emerging Trends

The Impact

Wellbeing and Employee Engagement are strongly correlated

Engaged, thriving employees are more likely to...

- Be agile and resilient
- Have strong relationships and be active in their community
- Be in control of their finances
- Have fewer safety incidents
- Report excellent performance
- Stay with their employer
- Have fewer health problems and lower healthcare costs

The Opportunity...


- Simultaneously address engagement & wellbeing
- Accelerate impact on organizational metrics
- Enhance Employee Value Proposition

Bar Chart: Annual health-related costs to employer per wellbeing category*

Wellbeing Category	Annual health-related costs to employer per wellbeing category*
Thriving	\$4,365
Struggling	\$7,388
Suffering	\$11,708

Source: Gallup Wellbeing Index Jan. 7-June 23, 2014
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Emerging Trends



Student loan repayment programs



Unlimited vacation



Expanded parental leave



Retirement assistance



Child care support



Medical benefits that help care for aging parents


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Professional Development Best Practices

- Think holistically about people development:
 - Only 10% of someone's on-the-job behavior change comes from training
 - 20% comes from assessment/feedback
 - 70% comes from on the job experience
 - Cross functional teams
 - Cross group teams
 - Ad Hoc committees, special projects, etc.
- Informal methods of development/information sharing become ever important in today's workplace (blogs/wikis/on-line forums/internal expert directories).



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The Organizational EVP Formula

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Total Rewards Inventory

Compensation	Pay provided by an employer to an employee for services rendered (i.e., time, effort and skill). Includes both fixed and variable pay tied to levels of performance.
Benefits	Programs an employer uses to supplement the cash compensation that employees receive. These health, income protection, savings and retirement programs provide security for employees and their families.
Work/Life	A specific set of organizational practices, policies and programs, plus a philosophy, that actively supports efforts to help employees achieve success at both work and home.
Prof. & Org. Development	Various programs, activities and initiatives that enhance an employee's job effectiveness, engagement, satisfaction and career opportunities. These include professional development, recognition, organization development and career development.





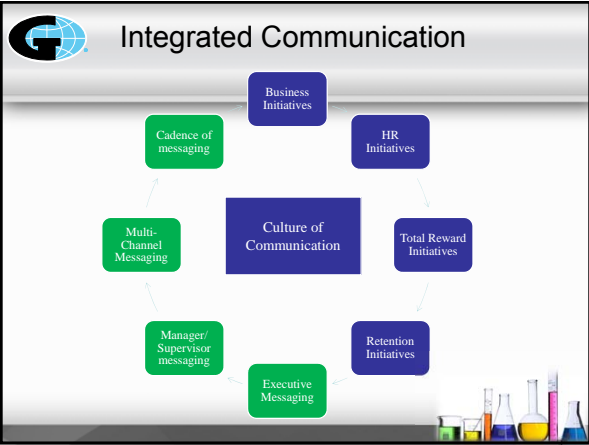
Tailor Your Total Rewards



Invest heavily in your top "A" players



A Communication Strategy is Paramount to Implementing Total Rewards				
	Veteran	Boomer	Xer	Yer
Style	Formal	Semi-formal	Not so serious; Irreverent	Hip; Fun
Content	Detail; prose-style writing	Chunk it down but give me everything	Get to the point—what do I need to know?	If and when I need it, I'll find it online
Context	Relevance to my security; historical perspective	Relevance to the bottom line and my rewards	Relevance to what matters to me	Relevance to now, today and my role
Attitude	Accepting and trusting of authority and hierarchy	Accept the "rules" as created by the Veterans	Openly question authority; often branded as cynics	Okay with authority that earns their respect
Tactics	Print; conventional mail; face-to-face dialogue or by phone; some online	Print; conventional mail; face-to-face dialogue; online tools and resources	Online; some face-to-face meetings (if they're really needed); games	Online; wired; seamlessly connected through technology
Speed	Attainable within reasonable timeframe	Available; handy	Immediate; when I need it	Five minutes ago
Frequency	In digestible amounts	As needed	Whenever	Constant





Return on Talent Investment Metrics

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**QUESTIONS?**





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