

Today's youth are tomorrow's leaders

In the current tough economic environment, employees constantly battle with the ever-increasing prices of necessities.

In addition, they must also focus on balancing their need to offset debts with their desire to spend, retain their jobs, select the most appropriate life cover for their lifestyles and maintain their health and well-being.

EMPLOYER CHALLENGES

Employers face their own challenges in terms of balancing costs and maximising revenue, managing operational risk, adhering to labour laws and providing an employee benefits (EB) offering which is attractive enough to not only source the most appropriate skills, but retain these valuable skills too.

With such a delicate balancing act happening on several fronts, employers should not solely rely on price when it comes to their EB offering.

OTHER IMPORTANT FACTORS

What are the other important factors that should be considered?

By 2020, Millennials will make up 35% of the global workforce. According to the Deloitte Millennial survey of 2017, 38% of Millennials say they would leave their current job within two years. However, two-thirds of Millennials in the survey say that their employers have adopted flexible arrangements and they value this flexibility in many forms.

In another study, Millennials also mention that they require assistance with student loan debts and view this as an employee benefit; some employers may never consider this as part of their EB offering.

The point is that the flexibility of an EB offering is a key factor in ensuring that an employer plays its part in retaining staff and offering benefits based on employees' specific needs.

SKILLS RETENTION

Employers, where possible, should do their

best to ensure that employees do not leave employment as a result of an inflexible EB offering.

In most cases, employers have become accustomed to paying away risk premiums to insurers in exchange for traditional, generic risk cover. However, in this model, employers are not entitled to any arising underwriting profits or investment income. In addition, they are subject to risk cost increases that are dictated by the insurer to which they are contracted.

Insurers also group-rate employees based on the sector they belong to. As such, it makes it difficult for the insurer to base its EB offering on the company's exact risk profile, which could also increase the cost of their EB offering.

ADDRESSING THE ISSUE

One way of addressing these restrictions is through a self-insurance model and housing one's employee benefits within a cell captive arrangement.

Not only does this allow employers and other entities like retirement funds to tailor EB offerings to the needs of their own employee base, it allows the employer and fund to share in a potential long term profit signature of its EB offering.

This profit signature will arise in the form of underwriting profits and investment income provided that the claims experience of its employees is favourable enough.

The employer can thus focus on enhancing its employee benefits by offering tailored traditional cover, as well as non-traditional cover while keeping risk costs down for its employees.

Over and above this, any further benefits arising from extra efforts made on wellness programmes such as disability rehabilitation and HIV/AIDS management is borne by the employer as opposed to the insurer,

with the option to share this upside with employees.

Nelson Mandela once said: the youth of today are the leaders of tomorrow. Adapting to the ever-changing needs of employees on a long term basis is thus crucial.

With self-insurance, employers and funds can customise their EB offering, remain flexible on their own terms in the EB environment, reduce costs in the long term and attract and retain healthier and more productive staff.



Francois Schaap
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Guardrisk Life

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