HOW EXACTLY CAN WE ESTABLISH WHAT MEMBERS NEED?

What follows is a description of the process we can follow to either establish a new total rewards offering or review the existing offering:

STEP 1 — Carry out a **needs analysis**

The employer or fund – with the help of experts, if necessary – needs to carry out a comprehensive analysis of their employees or members. They must consider the following:

- Employee profile: This includes a look at the earnings, job type, age, gender, level of education, level of financial education and, if possible, family structure of employees.
- The sector the person falls into: The type of industry the employed person works in generally dictates the level of pay they can expect. This directly affects the basket of goods they can hold and limits their ability to access those benefits outside the fund if they are not offered. The sector can also affect the level of risk that the member represents to the insurer.
- The split of the employee base between different geographical areas: Some provinces have greater exposure to certain types of diseases.
- The past claims experience of the fund.

Payroll systems rarely capture the level of detail required. As such employers need a process that allows members to give additional information about their family structure and number of dependants on an ongoing basis.

STEP 2 — Set up a **benefit matrix**

There is a whole universe of employee benefits, both savings and risk-related, that companies can include in an employee's total rewards package. From the information gathered in the needs analysis in Step 1, we can make a list of benefits suitable for particular groups of employees.

STEP 3 — **Compare** the current offering with the benefit matrix

Add another column to the matrix you established in Step 2 to set out whether employees currently receive this benefit. This helps you not only to identify the gaps in your benefits offering, but where you may have overlaps.

STEP 4 — Benchmark your current total rewards system against the market

To remain competitive, this kind of review has to consider what the market is offering. Each employer should be particularly interested in what other companies in their sector offer.

STEP 5 — Determine cost constraints

Employers (and members) have to balance offering benefits that meet employees' needs while controlling associated costs. For benefits offered through the retirement fund, like group life cover, the cost is constrained by the fixed contribution rate that the member and employer pay. Contribution rates from an employer's previous defined benefit arrangement, like with so many other retirement fund features, may not have been reviewed for appropriateness over time. For employer-owned policies, the cost is constrained by the other demands on an employer's finances.

The cost of certain employee benefits will determine whether employers can include them in the benefits offering. So, despite the needs of the workforce, the decision about what to include will depend on weighing up potential benefits against the cost of providing these benefits.

STEP 6 — Determine employee satisfaction levels to gauge return on investment

In *Benefits Barometer 2013* we touched on the fact that you can boost employee engagement with an appropriately structured total rewards system. You can use employee satisfaction as a proxy for the success of the employee benefits programme. Companies can measure employee satisfaction by surveying your employees. This should tell you if your current benefits meet your employees' needs.

However, treat the results of the survey with caution. Sometimes when employees indicate that they're not satisfied with their benefits offering, it may just be that they don't understand a benefit or how it works because your communication strategy may be flawed. If they don't understand the purpose of the benefit or the protection it gives them, they may think the benefit is unnecessary. We discuss communication strategies in more detail in **Part 2, Chapter 7.**