

**Welcome to a New World**  
A fresh look at the changing benefits marketplace



*Globalization. A tightening labor market. Cost containment. These are just some of the issues currently headlining the agenda of today's HR practitioners. The problems your clients face quickly become yours. How is your own business model changing as a result? How will you help clients address their challenges when your own practice is squeezed between rising expectations to provide more services and the need to hold the line on expenses?*

*The Get More series is designed to help you keep current on trends in the HR world and their impact on the benefits landscape. We provide ideas for leveraging the expertise of benefits carriers in addressing employers' latest concerns and, in particular, serve up fresh perspectives on group life insurance as a mainstay in an ever-changing environment.*

## Heightened expectations

### What do employers want?

Employers' expectations of producers have changed. Producers are being asked to do more with the same — or even less — time. Employers are coming to view producers as an extension of their benefits staff when they don't have the staff or the time to keep up with all the changes in the benefits world. Many employers seem to think producers can afford to provide extra services — and that employers should expect them.<sup>1</sup>

While solid long-term relationships with clients are key to your continued success, you may want to carefully assess the role you play in an employer's operations. Unless your firm has set up administration and enrollment services as a profit center, you may want to position yourself as a resource to help clients secure the services they need versus providing them.

Helping your clients with strategic planning is one way to demonstrate your advocate role and add value. Ask your clients what they want to accomplish through their benefit program over the next three to five years. Whether the goal is paperless administration, more attractive executive compensation or broader voluntary benefit offerings<sup>2</sup>, by assisting clients in meeting their HR goals you're opening the door to new business and higher client satisfaction.

Another employer hot button, and perhaps a service niche for you, is education. A quarter of employers responding to a 2007 survey said they wished their producer provided educational briefings.<sup>3</sup> Not surprising. The need for benefit education is growing as HR staff struggle to stay on top of fiduciary rules under ERISA and employees shoulder more of the responsibility for benefit elections and cost. Your role as the plan "expert" not only helps you gain credibility in your clients' eyes, but also can be used to boost plan adoption by employees.

Regardless of the services you offer, employers still want the best price. “Best” can be a relative term, however, and clients need your help in defining their expectations and understanding what they and their employees are actually getting for their benefits dollar. Obviously, with heightened scrutiny placed on producer compensation, you also want to be completely transparent about your own fees and how you earn them.

## How did we get here?

### Forces shaping the benefits world

As HR professionals depend more on producers to help them face their benefits challenges, it’s important to understand the complex environment in which they operate. Three issues are top of mind for most employers today:

**Globalization.** A systemic change that has been in motion for many decades, globalization has dramatic implications for the relationship between employees and companies.

**A tightening labor market.** As the worldwide labor market shrinks, companies must be more creative in developing and enhancing benefits and services that attract and retain top talent. At the same time, they must be attuned to the needs of an intergenerational workforce with differing lifestyles, values and media habits.

**Cost containment.** Employers aren’t out of the woods yet. After a brief slowdown, health care inflation in the U.S. is once again on the rise. While there’s been progress in cutting benefits costs, some approaches have had the opposite effect. A shift in responsibility and cost to employees must be accompanied by investment in better benefits education and communication.

## Globalization

Globalization is the extension of an economy beyond national borders where world trade and financial markets are integrated.<sup>4</sup> At a business level, globalization occurs when an enterprise decides to establish itself in foreign markets and takes on the challenge of adapting its products, services and workforce to the cultural, legal and political environment of those markets.

## New opportunities for savvy producers

The tightening labor market provides producers with additional opportunities to help your clients succeed. Many of you have recently faced expense cutting and a push for productivity as your own organizations seek better, quicker financial results. You have seen associates depart for other companies and struggled with your own client retention issues. You can apply this experience to expand your consulting practice while adding value to clients' programs. Beyond reviewing benefit options, check your clients' employee training programs, share your thoughts on community resources, and help them view their employee population in new ways. And, as you present them with carrier recommendations, be sure to offer providers who also take a consultative view of client service – offering ways to help their employees be more balanced, effective and productive.

In motion for many decades, the process of globalization has been accelerated by new information and communications technologies. As competitive pressures increase in a rapidly globalizing economy, enterprises must be as productive and competitive as possible to survive and grow. But many competitive distinctions have blurred – capital is widely available and innovations are easily duplicated. How then can companies set themselves apart? By managing talent more effectively. The pressures of global competition are leading employers to adopt more fluid work arrangements, improve their work-life equation and strengthen their benefits offerings to retain their most valuable asset – people.

## Tightening labor market

The labor market continues to tighten. In the U.S., population growth has definitely slowed.<sup>5</sup> Between now and 2010, the U.S. population is projected to grow a mere 1.1 percent annually, identical to the rate a decade earlier. After that, it will dip, eventually reaching 0.3 percent by 2030, even less by 2050. As early as 2010, the prediction is that there won't be enough workers available to staff the nation's jobs. In foreign markets, such as China, the outlook is even bleaker.

The real problem may not be head count, but skill levels.<sup>6</sup> Whether facing a shortage of people or talent, employers can have a direct impact on raising the skill level of existing and prospective employees through knowledge-based training programs and investment in new equipment or systems. In a departure from the past, training must be directed not just at new hires, but to all employee groups — the recent college graduate, the middle-aged, and those nearing retirement.

In the search for talent, employers need to think globally, but look internally and locally. Looking within their current ranks, employers can do more to grow and retain talent through training that helps employees keep pace with competition and through succession planning to pass knowledge between generations of workers. Outside the corporation, employers need initiatives to bring qualified employees back to work – such as stay-at-home parents and older workers forced into retirement – as well as to groom potential workers who currently lack specific experience or credentials, such as the disabled and underemployed youth.

Given the labor scenario it is more important than ever to be an employer of choice. Concerns over employee retention remain number one on HR professionals' lists of things to worry about. When asked to rank those HR activities that are critical to their organization's success during the next two years, respondents to an *HR Executive* poll placed talent retention at the top of the list, with 72 percent saying it was "very important."<sup>7</sup>

Premiums for employer-sponsored health coverage rose an average 7.7 percent in 2006. That's lower than the 9.2 percent increase recorded in 2005 and the peak of 13.9 percent in 2003, according to the [2006 Employer Health Benefits Survey](#).<sup>14</sup> But annual premiums in 2006 for employer sponsored health insurance still take a large chunk of the benefit dollar.

#### Average annual premiums for employer sponsored health insurance 2006

	ER Cost	EE cost
Single coverage	\$4,242	\$627
Family coverage	\$11,480	\$2,937

While the need to attract and retain talent is critical, the makeup of the labor force has never been more diverse. Companies are looking for ways to build trust and job security for their current employees by addressing more of the personal issues that are important to them. To keep a competitive edge in the talent war, they need to be aware, agile and creative in the development and enhancement of benefits and services that attract talent.<sup>8</sup> Helping your employer clients move toward “tailored” programs for workers is one way to attract the most talented Gen Xers and Gen Yers, so these types of plans should be central to HR strategies.<sup>9</sup>

More than ever before, the choice of an employer is influenced by the employer’s benefits, at times even trumping salary in career-related decision making. As a result, employers are tailoring voluntary benefit offerings to appeal to differences in gender, age, family status, and culture. For example:<sup>10</sup>

- Baby Boomers and Gen X members most often purchase voluntary disability and life insurance benefits.
- Recent grads (18 to 24 year olds) are more interested in saving for their retirement (32 percent) than in saving for a house or car (7 percent) or paying off debts (1.4 percent).
- Caregivers value flexible hours, paid time off and the option to telecommute.
- Single women are becoming more vocal in their desire for strong core benefits and flexibility.
- US transferees and international assignees want more help addressing spouse and family issues and in identifying the job that will follow an assignment abroad.
- Barriers to benefits access – language, cultural norms, technology – must be removed.

## More for the money

### Containing costs in a still-volatile environment

Global and labor market forces call for a larger investment in resources to fill the ranks. But costs still demand keeping a close eye on the bottom line. In most companies the entire service supply chain is being scrutinized for the best cost-to-service balance, and procurement departments are increasing in importance as a partner to the relocation and human resource functions.<sup>11</sup>

In the benefits arena, the aftershocks of prolonged health care cost inflation are still being felt. Typically, health insurance premium increases:<sup>12</sup>

- Contributed to a decline in the number of employers offering insurance.
- Encouraged employers to hire part-time and contract workers without benefits.
- Prompted employers to raise eligibility and cost-sharing requirements.

Asking employees to shoulder more of the cost burden seemed like a good strategy. After all, the reasoning went, if employees had a larger financial stake, they would make better choices about their health and health care. But cost-shifting had the opposite effect. Employees used services less, opted out of prescriptive regimens, avoided necessary therapies or surgeries and as a result, became unhealthier. Medical expenses continued climbing and employee satisfaction with their benefits declined.

## A cost-effective alternative

### More choices, more value

Since voluntary benefits cost little, employers can consider offering a broader array of these “extras” to both entice diverse job candidates and retain good workers.<sup>13</sup>

From the standard to the unconventional, employees find these voluntary benefits highly appealing:

- Financial counseling
- Legal services, including will preparation
- Pet insurance
- Cancer insurance
- Long Term Care
- Concierge services (dog walking, dry cleaning, event tickets)
- Emergency travel assistance
- Cell phones and i-pods
- Transportation/commuter subsidies
- Onsite fitness centers
- Onsite salon services
- College and other education funding

Of special note for producers is the growing trend among U.S. employers to implement employee wellness programs and incentives for adopting healthier lifestyles. These health-related benefits are very popular and can help employers by:

- Improving employee satisfaction with the overall benefit program.
- Curbing health care and disability expenses.
- Reducing absenteeism and improving productivity.

Though the needs of workers are changing, group life insurance still tops the list as the most requested voluntary benefit because of the flexibility it offers. Group rates continue to fall as mortality improves, making coverage affordable on any budget, and payroll deduction makes premium payments convenient. Portability options help mobile workers maintain security when they leave an employer. Cash accumulation products allow employees to supplement other savings plans and tap into the power of tax deferral. At the same time, self-administration keeps costs low for the employer while carrier-provided online services help them off-load administrative work and improve employee education.

Today, a paradigm shift is taking place in the group life insurance marketplace. No longer just about paying death claims, group life also offers important “living benefits,” such as accelerated death benefit and waiver of premium. Carriers are leading the way in the trend toward providing additional family-friendly benefits that promote employees’ financial and physical health as well as their future peace of mind.

## Partnering with you

### Your role is more important than ever

Faced with the challenges of a global marketplace where talent and other resources are in short supply, HR professionals are turning to producers to add more value to the benefits consulting relationship. They rely on you to provide more expertise, innovative benefit options and new service approaches – all at the most competitive prices. But to whom can you turn for support? Here’s where premier carriers can step in to fill the gap, partnering with you to develop solutions for meeting your clients’ benefit challenges.

## Up next:

Health and wellness – the new buzz for cost containment.

## For more information

To learn more, contact the group sales manager in your region or call our national sales office at 1-800-606-LIFE (5433) or visit [www.lifebenefits.com](http://www.lifebenefits.com).

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- <sup>9</sup> Lynda Gratton, "A Wider, Younger World", HR Executive, November 2007.
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- <sup>14</sup> Kaiser Family Foundation and the Health Research and Educational Trust (HRET).

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