

INTRODUCING MINI FLEXIBLE BENEFITS INTO THE SME

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A challenge that has always existed for SME's in the employment market has been to compete against larger organisations for key staff. Even if smaller organisations have been able to match market salary levels for skilled employees, benefits often become an issue. A company employing 100 people is unable to offer the number and variety of benefits that a national organisation employing over 10,000 can offer! However, very often they may compete for the same staff.

Flexible Benefits (Flex) is the one key remuneration strategy that larger organisations can wield as a tangible competitive advantage over small and medium sized enterprises in the war for talent.

This is, it has been an exclusive advantage for large companies - until now.

Flex is a remuneration system where staff are given a choice about which benefits they would prefer to have, and the level/cover of these benefits. It is a sophisticated system which allows multiple choices to be made by employees in order that they can adapt their pay and benefits to suit their personal circumstances. For example, an employer could offer private medical insurance for the whole family as a company sponsored benefit. Whilst this could be an excellent benefit for a married person with children, it could be seen as a 'wasted' benefit by a young, single employee. By means of a Flex system, this employee could choose to either receive only single cover insurance, or to opt out of the benefit altogether. The difference in the price of the insurance would then be 'credited' to the employee to be used on other benefits, at no additional cost to the company. Employees also have opportunities to increase pension contributions, 'buy and sell' holiday leave, swap benefits and so forth. And the system is generally set up so that employees can change their selections should their circumstances change (eg, should the above employee get married, he may wish to change his private medical insurance to cover his wife).

And Flex systems are becoming more and more prevalent in the marketplace. The Employee Benefits Flexible Benefits Survey (April 2005) indicated that 23% of UK companies currently utilise a formal Flex system, with another 33% considering implementation.

However, much as there may be significant appeal in a Flex system for both staff and management of a company, there are also negatives.

Some of the challenges acknowledged by companies in the implementation of a Flex system as reflected in the Employee Benefits survey are:

- The complexity of the system (86%)
- High implementation costs (73%)
- Complexity of administration (65%)
- Challenges in updating existing technology (56%)

For these reasons, Flex is generally not considered a viable option for smaller companies.

A more recent development in the Flex arena has been that of the 'mini-flex' system, such as the SeMi Flex System ©. This is a Flexible Benefits system specifically designed for the SME market. The key differences between SeMi Flex and traditional flex systems are:

Customisation: The system is intended for the SME market, and therefore includes very specific company customisation as part of the system, in order to fit the capacity, budgets and opportunities within the particular organisation

Avoiding Actuarial Adjustments: Since this is intended as a simple system which may later progress into a full Flex system, SeMi Flex does not involve tampering with pensions or other actuarially related benefits. The objective is to present a simple to understand and cost-effective solution which can be implemented with a minimum of complexity and within a far shorter time-frame.

Cost Related: Since this system does not require the level of formal integration into current payroll and accounting system of the client, the costs of implementation are far lower than with formal flex systems.

Examples of the sorts of benefits that can be introduced as part of the SeMi Flex System include Professional Development Schemes, 'buying and selling' of leave, discount schemes with major retailers, private medical insurance, study finance, travel schemes, and many more. However, the majority of the benefits offered are developed with clients and are specific to their business.

KEY STEPS IN CONSIDERING IMPLEMENTING A MINI-FLEX SYSTEM

Should you be considering a review of your current reward and benefits strategy, here are some suggestions on how to approach a recommendation for flex.

1. Review your current situation. If you are going to motivate for the introduction of a new system, you need to be able to justify the change. Have a look at relevant internal information, such as your attrition rates, recruitment success rates, potential company expansion, pending merger/acquisition activity, etc (nothing sorts out the challenges of differing terms and conditions as a result of acquisitions better than flex). Make sure that you have sufficient quantitative and ideally financial information to state your case boldly.
2. Get input from your staff. Although it is important to get feedback from your staff, do not make the mistake of building up expectations in respect of new systems. It is recommended that staff be 'surveyed' in respect of their general satisfaction with their package. Do not mention flexible benefits at this stage, but ask for their suggestions.
3. Do your research on competitors. You can either do this yourself or get external input in respect of customised surveys/research. If you find that you have a major competitor in the employment area which currently does not offer flex, you could be leading the field in introducing a remuneration system which will attract employees to your business instead of theirs.
4. Get in touch with a consultancy offering Flex/SeMi Flex. A consultant will be able to give you a better idea of how a flex system could or could not add value to your business.
5. Speak to management to get a general 'buy-in' to the concept of a new remuneration system. Your consultant will be able to assist you in identifying some of the financial 'hooks'.
6. Organise for your Consultant to make a formal presentation to your manager. There is no one better qualified to present your case to senior management than a consultant who has done this many times before – together with your knowledge of the company and its culture.

Whilst implementation of Flex has always been seen as a monumental commitment to be undertaken by large companies with adequate resources and cash-flows, this situation is now changing to address the area of the market which perhaps needs it the most – the SME market.

The SeMi-Flex System © is a specialised Flexible Benefits solution for the SME market offered by Globalite Management Services Limited.

Should you like any further information please contact the author at rbergemann@globalitehr.org or visit our website at www.globalitemanagementservices.org

