

White paper

Administration of Flexible Benefits – in house or outsource?

Benefits managers do not choose a career in HR with the intention of spending their days filling in forms and completing reports in respect of employees' benefits. Outsourcing schemes can take away the tedious elements of managing benefits, leaving staff free to focus their energies on key tasks. HR staff can sometimes look negatively on outsourcing because they envisage it will mean job cuts, but this is not necessarily the case. Outsourcing is not suitable for everyone, but below we explain some of the reasons it may benefit you as an HR manager.

Simply put, outsourcing is the handing over of responsibility for providing and managing a service to an external party.

In the employee benefits market, pension's administration has been the most popular employee benefit to outsource because it can be cumbersome to manage. However, this is now fast being approached by other benefits such as fleet management, private healthcare and, flexible and voluntary benefits schemes.

- 1) Cost savings are typically thought of as one of the main reasons for outsourcing schemes. Many processes in HR and benefits administration, such as updating employees' details, can be repetitive. So there is an argument that these can be delivered much more efficiently by outsourcing to providers that have scalable and replicable systems in place, as well as the technology to process these transactions more cost-effectively.
- 2) One of the main cost benefits for companies lies in removing the risk and cost of employing experts to run an employee benefits scheme in-house.
- 3) The biggest benefit of working with an outsourcing organisation is their expertise. For example an outsourcing firm running a benefits administration offering on behalf of an employer will more readily be able to access advice with specialist skills than an individual company.
- 4) Outsourcing providers are also differentiating their offering through value added services. One of the main advantages they have is that they measure the cost of processes and can, therefore, find out if a company is gaining the best value from its benefits program.
- 5) Outsourcing providers can also review employers' benefits and compare them with other similar sized companies existing benefit ranges, thereby giving the employer an idea of how competitive a benefits package may appear to prospective employees.
- 6) As outsourcing providers are continually going to the market in order to obtain quotes for benefits, they are ideally placed to offer advice on the cost of individual benefit coverage. Many employers have found that when going to an outsourcing company, the outsourcing company has gone to the market and enabled them to either make substantial savings on the cost of their existing levels of benefit cover or they can offer a higher level of cover with a different provider for the same cost.

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- 7) Outsourcing providers concentrate solely on the benefits element of HR services, they are therefore more able to identify trends and take-up rates for existing benefit offerings from employers, and by using simple feedback forms can help a company to identify potential new benefits that employees express an interest in. This allows companies to continually review their benefits package, removing or revamping “stale” or out of date benefits and adding new benefits, thereby continually refreshing employee interest in their overall benefit package.
- 8) Available technology has simplified flexible benefits administration significantly and a flexible benefits scheme puts all the benefits in one place so it should increase efficiencies. However, a flexible benefits program can still be complicated to manage and many companies find that the complexity of administration is the main disadvantage of the schemes.
- 9) Historically, many flexible benefits schemes have been paper based which involved a great deal of time to process, however, with the introduction of modular web based administration schemes, the process has become much more streamlined. An outsourcing company will have access to the latest software on the market and be able to utilize this to provide a higher and faster level of service.

Points to consider

Outsourcing employee benefits does not have to be a complex process. The main points that employers should bear in mind to ease the transition are:-

1. Employers need to know that any questions about outsourced benefits raised by themselves or their employees will be dealt with by the outsourcing provider, and that this will include management of agreed processes and service measurements in its cost.
2. Make sure that both parties are clear about their roles and responsibilities in the relationship and that the contract outlines exactly what the outsourcing provider will supply to your organization, and what information you will need to give your supplier, how often, and in what format.
3. Organizations should look at the benefits of outsourcing their employee benefits package on the individual merits of each benefit.
4. There is not one best solution; it is very much a case of what process fits best with the culture of your organization.
5. Much of the negative publicity around outsourcing has occurred because a provider has either failed to deliver what it promised or its client has been unrealistic in its expectations. Cost savings are not as transparent as they might first appear. It can be hard to quantify a cost saving unless it was carefully monitored beforehand. Managing an outsourcing contract

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will still require input from HR which needs to be accounted for.

6. Industry peers that have already been through the process offer a good starting point and can often pass on lessons learned. Employers should also consider exactly which benefits they want to outsource.

About the Jelf Group

The Jelf Group was founded by Chris Jelf in 1989. Today the Group operates from over 20 locations in the South of England and South Wales and offers an extensive range of corporate services; general insurance, healthcare, employee benefits, commercial finance and wealth management services to businesses and individuals. The Jelf Group advises over 25,000 corporate clients and 20,000 individual clients across a range of disciplines.

Currently, the Jelf Group is working closely with Asperity to bring a high quality range of Employee benefits to our clients. To find out more about the services we offer or more on the work Asperity do for us please visit

www.jelfgroup.com

or contact Chris Dodge on 0845 602 1858

About Asperity Employee Benefits

Asperity is the UK market leader in voluntary employee benefits with its Reward Gateway product - the UK's first fully integrated voluntary benefits scheme and the largest employee discount scheme in the UK. Reward Gateway is an exclusive discounted shopping service with discounts and savings for employees at over 1700 retailers and service providers. The scheme has been described as a "who's who of the high street" and includes discounts at retailer such as M&S, Boots, Debenhams and John Lewis.

Asperity is the only voluntary benefits provider to use a pioneering mix of Cashback on top of traditionally negotiated employee discounts meaning that the levels of savings on Reward Gateway are higher than any other scheme in the market.

Since launch, Asperity's Reward Gateway product has taken the market by storm and Asperity provides its scheme to employees at nearly 100 leading companies including Next Retail Ltd and British Airways plc. Reward Gateway now services over 750,000 UK employees with discounts and savings of up to 45% at over 1700 retailers. Offers are accessed online, locally, on the phone and in the high street. www.asperity.co.uk

Most recently, Asperity has worked in partnership with the Jelf Group to launch an exciting new employee discount scheme myshopping, along with a version tailored for SMEs called myshopping:2go. For further information please visit www.jelfgroup.com/myreward