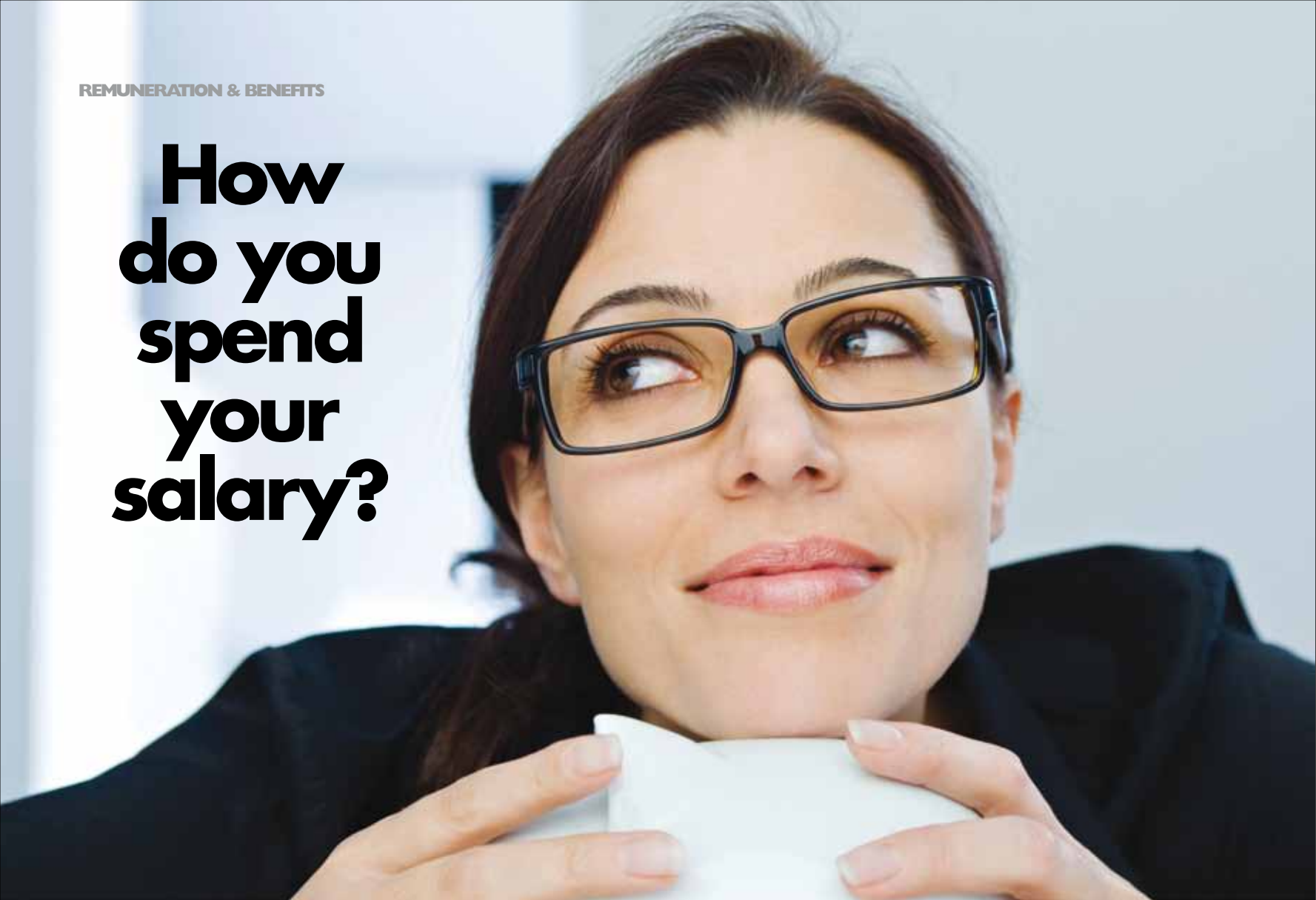


How do you spend your salary?



Improving workforce financial literacy and understanding of total reward can boost engagement and provide real return on investment, writes Tom Washington

It's a question commonly asked yet one that rarely gets a straight answer: what responsibility do employers have to improve their employees' financial literacy? In the wake of the GFC, with many people recovering from the strain of pay freezes and increased living costs, the benefits to employees are obvious. Education around superannuation and financial benefits such as share schemes and insurance better equips them for making crucial decisions that impact their wellbeing in the long term. Employers, however, might ask 'what is in it for us?' if the return on investment does not seem immediately apparent.

The need for this kind of practise has developed fairly recently. Today's workforce is no longer in a 'job for life' with a defined benefit pension and employer support as with previous generations, as Mike Murphy, principal and senior actuary of retirement and financial management at Aon Hewitt explains.

"Employees used to be looked after by their employer and didn't have to do anything. But it's completely changed now. In a super guarantee environment it's completely up to the employee as to how much extra goes in to their super fund and how it's invested,

monitored and looked after so they can sustain themselves with a reasonable retirement benefit.

"In the past the member didn't need to worry about the risk factors as the benefit was going to be there either way. Now, with a choice of investments and funds, workers absolutely have to become engaged in their finances because if they do not make the right decision it will effectively be their fault."

Resistance

Yet according to workplace financial education expert Matt Hern, the majority of employers are not necessarily willing to take on such responsibility.

"While some HR teams are thinking about [offering workplace financial education] the vast majority won't because they don't realise we have a problem as a nation. It's like going back 20 years and trying to stop people smoking when they didn't know it was unhealthy. It's a problem with enlightenment and employers not realising the return on investment they can get.

"Here in Western Australia we have a lot of mining and resources companies, and they say 'don't we pay our staff enough for them not to be stressed?' But in fact it's often those

people who fall into overspending and get into a financial mess.”

Hern adds that while the government’s Financial Literacy Foundation has recently launched a course for tradespeople, it has confessed it is struggling to get corporate organisations on board.

“Employers are worried about getting organisations to come in to educate their staff and effectively just get a product flogged to them, as financial planners are often seen on the same level as car salesmen.

“There is also concern about legal liability, in other words being seen as giving advice to staff then it not working out very well.”

Getting delivery right

What’s more, even if an employer does take on the task of providing such education in the workplace, many fail to deliver it properly.

The most basic offering is giving staff access to information, be it online or a physical handbook. This allows them to begin to understand some of the broad considerations they need to make as Peter Lewis, principle and head of retirement products at Aon Hewitt explains. “In its simplest form in a superannuation environment that might be product information – member booklets around a super fund, annual reports on the fund and so on.”

Aside from superannuation, employees who fully understand the worth of the benefits package they receive will be more engaged. To this end, solid communication strategies, often in the form of statements detailing the value of an employee’s remuneration, are priceless.

By offering total reward statements, or employment value propositions as they are often known, employers can outline the value of not only traditional benefits such as pensions, salary and employee share schemes, but also other perks relating to training, health and wellbeing initiatives and subsidised refreshments. According to a recent paper from benefits consultants Mastertek,

The benefits of personalised reports for AMP

There are two primary reasons why AMP engaged with Avant Solutions to develop personalised financial communications for employees. Overall they were emphasising financial literacy and adequacy among employees.

“When we asked clients and employees – it was almost resounding that communications needed to be more friendly to employees so they could actually understand what it is they had and how benefits worked etcetera,” said Brian Zanker, head of business development at AMP Corporate Superannuation. “So when we partnered with Avant to deliver this it added an employer value proposition to each of the employees and added the superannuation piece in a really user-friendly way into the report.”

According to Tim Woodhouse of Avant Solutions these personalised communications are extremely beneficial.

“Superannuation is an area where apathy rules and the members don’t necessarily do much regarding their super,” he said. “So from our perspective we wanted to do something where we needed to connect with those individuals regarding super. And once we connect with them we need to motivate them into doing something. And in our view this can only be done through relevant communication. And relevancy is all about personalisation.”

Zanker said that superannuation is closely becoming many people’s biggest asset and therefore people need to understand it a lot better.

“And also the employer is investing heavily in superannuation contributions so it’s almost becoming a right rather than a benefit,” he said.

Zanker outlined the huge success they’ve had with the personalised communications.

“I’ve never ever seen a response like we’ve had to these communications,” he said. “It’s phenomenal. People write in and tell us that it’s

clear, it’s concise, it’s easy to follow, it prompts them to take action and take control.”

Mastertek is another company which taps into this resource through personalised reward reports and personalised employee benefits communications. Mastertek specialise in the creation of employee benefits and AMP’s usage of this type of report is testament to the success of personalisation.

Jaimie Anderson of Mastertek said: “In communicating remuneration and benefits components as part of the overall EVP, current practice tends to focus on the generic components of the reward offering, rather than applying an employee specific value,” he said. “Personalising these communications however may hold the key to successfully driving the employee engagement and retention which underpins these philosophies.”

(see your insert with this issue of *HR Leader*: “It’s Personal”)

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To tackle financial literacy, however, experts agree that only a tailored approach will work. Without knowing the needs of the workforce in the first place, offering them guidance is likely to be misplaced, or at worst, completely irrelevant.

Employers can hire external advisors to provide tailored sessions for staff in the form of workplace seminars. “What works well is when there is a homogenous group so that the content can be tailored to suit them,” says Hern. “Running generic seminars to a group of mixed people never works. You get completely mixed feedback and no one gets what they want out of it.”

At its most advanced, employees can be offered one-to-one, personal advice where a financial roadmap can be discussed.

Getting engagement

But no matter how an employer implemented such a program, if they fail at getting staff



“With a choice of investments and funds, workers absolutely have to become engaged in their finances”

interested they might as well not bother.

“Some employers say ‘we believe it’s important for our employees to understand the employee benefits program’ and use that as a starting point for other financial considerations they need to make in their lives,” says Lewis. “They will run seminars in the workplace during working hours and highly recommend staff attend. They make an investment in time to their people and generally get around 90-95 per cent attendance.”

“Other employers run a seminar during lunchtime or after work and say ‘turn up if you want to’. There are two very different outcomes to these approaches; it is really dependent on how the employer endorses the program.”

As Lewis points out, offering this kind of education is just one component of the whole HR engagement program with their workforce, but one that sends a strong message. “Apart from paying a salary and some financial benefits, where is the psychological bond with the workforce? In providing this kind of assistance, staff can see their employer is doing something of value for them and their financial wellbeing,” he says.

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