Managing Global Benefits: Challenges and Opportunities
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Executive Summary

As U.S. companies continue to expand globally, benefits programs for their international workforce grow in importance. Global benefits executives face a range of challenges including delivering benefits in diverse environments and cultures, offering competitive benefits programs to help retain employees, controlling costs and streamlining administration. Today’s economic conditions pose additional challenges and make it more important than ever that benefits programs are leveraged as effectively as possible to meet business objectives.

MetLife, through its participation with MAXIS, a global employee benefits network of insurers in over 75 countries, is well positioned to examine trends and challenges in managing global benefits. Through qualitative and quantitative research, this paper examines the key global benefits challenges facing multinational employers and provides recommendations and action plans to help meet their benefits needs. Challenges include:

1. Developing a global benefits strategy while providing benefits that meet the varied needs of multinational employees.
2. Creating a competitive benefits program to help attract and retain talent.
3. Finding cost-effective ways to attain and administer multinational benefits.
4. Building recognition for the value that global benefits management brings to a company.
Methodology

The report’s findings are drawn from recent research commissioned by MetLife including:

- 25 in-depth telephone interviews (conducted October, 2008 through January, 2009) among senior U.S.-based corporate decision-makers at companies ranging in size from 3,000 – 170,000 total employees, and with 400 – 100,000 employees outside the U.S. Half of employers interviewed have a larger non-U.S. employee base than U.S. employee population. All employers operate in a range from 3 – 60 countries and on average in 40 countries in regions including the Americas, Western and Eastern Europe, Africa, Australia and Asia Pacific. The industries include advertising, automotive, chemicals, construction, containers and packaging, consumer non-durables, financial services, healthcare, hospitality, industrial products and pharmaceuticals. These interviews focus on participants’ perceptions of their current challenges, best practices and areas of opportunity related to multinational benefits.\(^1\)

- The 7\(^{th}\) annual MetLife Study of Employee Benefits Trends (conducted third quarter, 2008), which includes interviews with 1,524 U.S. employers, 385 of which have international operations.\(^2\)

\(^1\) The MetLife Study, “Managing Global Benefits: Challenges and Opportunities” was conducted between October 2008 and January 2009 by Leichliter Associates, LLC.

\(^2\) The 7\(^{th}\) annual MetLife Study of Employee Benefits Trends was conducted during the third quarter of 2008 by GfK Customer Research North America.
Developing a global benefits strategy while providing benefits that meet the varied needs of multinational employees

Multinational business is the key to the future for many companies and is often a main opportunity for growth. In some cases, the size of their multinational employee base equals or eclipses that of their U.S. employee population.

Most of the benefits executives interviewed experienced their share of benefits challenges as they expanded globally, either through establishing new offices or acquisition. Many want to ensure their employee benefits programs run smoothly and efficiently and are compliant with current government regulation. The advent of the Sarbanes-Oxley Bill (2002), which enforced stricter accounting and financial controls, has escalated the need for financial transparency, especially in terms of future commitments for core benefits such as retirement plans. The current global economic crisis has tightened budgets and heightened the urgency to make sure all multinational benefits are appropriate, compliant and sustainable.

Becoming “truly global”

Interview participants express that, although they have operated multinationally for many years, their companies are just recently becoming “truly global” in terms of how they approach multinational benefits. Importantly, by “truly global” they do not mean that they are seeking one-size-fits-all benefits plans that are standardized across the world. Many recognize the need for flexibility and how government mandates and cultural factors can shape local benefits programs and employee expectations around benefits:

- One global benefits executive notes the extent to which non-U.S. benefits are framed by government mandates rather than built from the ground up.
- Others take into account how much benefits can vary from country to country. For example, in India there are complex child incentives, home incentives, health plans that include grandparents and other provisions.
- Many find in the European Union (EU), that although countries have so much in common, government mandates around benefits vary greatly from country to country. In fact, among the employers interviewed who have been invited to participate in a pilot program for a new “Pan-EU” retirement plan concept, few are optimistic for a speedy implementation.

To help their companies become “truly global” in how they think and operate, benefits decision-makers focus on:

- Articulating a concise global benefits strategy or philosophy that provides employees with a framework for understanding management decisions affecting benefits. This strategy must accommodate the varied cultures of different localities and regions.
- Creating effective and understandable benefits programs for local, mobile and multinational employees.
Most benefits executives interviewed consider it essential to have a simple working definition of their global benefits strategy or philosophy. Their companies have followed various paths to develop these definitions:

- **One trendy retailer, with operations in over a dozen countries, established a ‘hierarchy of needs’ to help the company prioritize its multinational benefits offerings.** As they add operations in new countries, they work through a “learning process” for setting base pay, bonuses and long-term incentives. If, for example, a location wants to launch a new community service program, he first says “let’s make sure what we offer employees is fair, make sure it works. Once we’ve moved up the needs hierarchy a bit, then we can do more.”

- **Some companies create their strategy or philosophy as a natural extension of their corporate heritage.** One U.S. based family-owned manufacturer seeks to establish a similar “family-company environment” in its global operations. The manufacturer takes a paternalistic approach by offering benefits including employee transportation to work, onsite health services, free meals and retirement savings plans.

- **Some firms create their global benefits strategy in conjunction with an extensive corporate “branding” process.** Through this process, a professional services firm began globally integrating many functions of their company. This strategic shift to thinking as a global company has led them to consider new multinational benefits offerings.

Regardless of the route taken, companies that develop a concise global benefits strategy or philosophy say this is a critical step in meeting the challenge of attracting and retaining multinational employees.

### Streamlining processes

Streamlining the process of planning, implementing, managing and monitoring benefits for multinational employees is a continuous challenge. In this study participants echo what participants in the 7th annual MetLife Study of Employee Benefits Trends also indicated — a very strong need for better-integrated multinational benefits systems and processes:

- The study shows that 59% of U.S. corporations with multinational operations consider “consolidating all benefits administration onto a common platform” to be one of their top priorities — even higher than their peers from U.S. domestic-only corporations (45%).

While decision-makers have ambitious plans for better-integrated benefits information and processes, they understand there are limitations. Several point to the European Union as an example. Although the EU countries have found ways to coordinate currencies, migration and other factors, they have made very little progress toward streamlining benefits processes. Until better global systems become a reality, multinational benefits managers will continue to seek ways to leverage internal and external resources for better benefits management, as discussed in the following sections.
Action Planning for Employers:

✔ Understand your current benefits programs — Research your current domestic and international programs. Make reviewing your plans a continuous process and not a reactive exercise.

✔ Define what will drive your global benefits strategy and be sure it can be clearly articulated — Include all individuals within your organization that are involved in global benefits and financial decisions and ensure you have their commitment.

✔ Establish a management structure — Clearly define roles and responsibilities at both headquarter and subsidiary levels. Make sure your strategy provides employees with a framework for understanding management decisions affecting benefits.

✔ Communicate, execute and monitor — Educate all employees across the organization around the details of the new strategy. Execute and monitor the effectiveness of your strategy.

✔ Fine-tune your strategy — Remember your strategy should be flexible; there is always room for improvement. Feel comfortable modifying your strategy based on best practices or lessons learned.
Creating a competitive benefits program to help attract and retain talent

The benefits executives interviewed gauge the competitiveness of their local benefits the same way they do in the U.S: by comparing their compensation and benefits packages offered in each country to those of their competitors, as well as to those offered by other local and global employers who hire the same type of talent.

Most benefits executives interviewed aim to offer benefits that are in line with market standards. They want to ensure that the total compensation and benefits they offer stay within their target zone for a given country and talent segment. Employers are seeking ways to structure compensation and benefits that are fair and flexible enough to accommodate the unpredictable multinational career paths their employees may follow.

Employers who set their multinational benchmarking goals well above the median or strive to be a “global employer of choice,” do so for one or more of these reasons:

- **They have a global image to uphold.** They fall “under the magnifying glass” of regulatory or public scrutiny, or their businesses (life-saving medical products or technologies, for example) depend on high levels of public trust.
- **They face extraordinary competitive challenges.** A healthcare company that is a late entrant to several key international markets says it must aim above the median to attract and retain top sales talent, in order to compete with its long-established, well-known competitors.
- **They rely on talent with special skill sets (engineers, healthcare specialists, etc.).** They cannot risk talent shortages and want their employees’ lives to be secure and comfortable enough that they can work comfortably and productively.
- **They compete in areas where multinational competition can be intense and turnover rapid.**

Comments from the executive interviews also suggest that hiring competition is likely to be more intense in low-cost high-competition regions. The 7th annual MetLife Study of Employee Benefits Trends found that multinational employers anticipate greater competition for talent over the near-term:

- As of late 2008, 54% of U.S. employers with international locations expect competition for talent to increase over the next 18 months, compared to only 40% of U.S. domestic-only employers.
- Also, 28% of U.S. employers with international locations expect to be affected by a workforce shortage within this timeframe, while only 19% of U.S. domestic-only employers have similar expectations.

A common theme during the course of the executive interviews was a strong interest in finding ways to use benefits to help retain talent. They want to ensure their ability to retain the talent their company needs. The 7th annual MetLife Study of Employee Benefits Trends underscores this finding:

- 63% of U.S. multinational employers with global benefits managers agree “benefits are very important to employee retention” compared to 55% of U.S. domestic-only employers.
Employers are eager to obtain more extensive benchmarking data that will help them:

- **Make smarter decisions about how to harmonize benefits** in situations where employers have multiple sites with inconsistent plans.
- **Evaluate how benefits affect local profitability**, especially in historically low cost markets that may be facing inflation.
- **Justify enhancements related to local mandates**, such as free flu shots, on-site health screening, merchandise discounts, etc.
- **Understand issues in proper perspective** such as why employees may perceive their compensation and benefits to fall short to those of their co-workers in other countries, or how to explain competitive norms in other countries that may seem “outrageous” to management.

While information around government-mandated benefits can be obtained in many countries, few employers that were interviewed say they have the internal resources to stay current on changes or trends. Obtaining reliable data about their competitors and the benefits they offer is also a challenge. Some employers rely on purchasing proprietary surveys for international markets, but the costs of these resources can be high.

Global benefits executives use a variety of tactics to fill some of their competitive data gaps, including…

- **Internal collaboration.** A parent company of a diversified corporation established an internal consortium for executives who manage global human resources and benefits across all locations. This group has quickly become a valuable forum for exchanging data, lessons learned, best practices, etc.
- **Informal information exchanges with peers within and across industries.** Decision-makers interviewed encourage their peers to discuss non-proprietary insights and best practices with their suppliers, clients, and friendly competitors — through informal personal contact, association conferences and events, and online forums.
- **Data-gathering initiatives.** One employer personally called all competitive employers within a remote market, said he was commissioning a local benefits survey and promised to share it with all who participated — and got great cooperation. Another is helping launch a research initiative through one of his industry’s associations, to generate benchmarking data in new emerging markets that are not yet covered by traditional benchmarking data sources.
- **Utilizing pooled networks to tap into local on-the-ground resources** to help determine what is needed to be appropriately competitive, and to understand unique local considerations or trends. (See section 3 for further discussion of pooling).

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**Action Planning for Employers:**

- ✔ Work with your local subsidiaries to obtain country specific benefits information. This data will help educate you on what benefits employees value at the local level.
- ✔ Research the benefits offerings of your direct competitors to help ensure your package meets or exceeds market standards.
- ✔ Think more broadly on how to obtain data by leveraging networks, consultants and associations.
Challenge 3

Finding cost-effective ways to attain and administer multinational benefits

Even for U.S.-based companies that have operated multinational for years, global benefits are often treated as an “add-on” responsibility of existing human resources teams — until that structure becomes unworkable due to sheer growth, or until problems emerge that reveal the need for greater global benefits planning and administrative expertise. Employers interviewed shared examples of the growing pains experienced by their companies when demands for multinational benefits exceeded their internal expertise or managerial bandwidth:

■ A leading U.S. multinational corporation discovered that after restructuring, it stripped too many experts from its human resources team — seriously compromising the ability to correctly disclose any multinational benefits obligations and putting the company at significant risk.

■ Several employers admitted discovering (sometimes years after making acquisitions), that some employees were entirely “missing” from payrolls and benefits plans because local managers were compensating or rewarding them entirely from cash reserves.

■ One subsidiary of an industrial corporation with operations in 50 countries discouraged employees from participating in a new retirement savings plan designed to give employees far more money than the previous termination plan. The concept was so new in that country (and some distrust existed for a foreign solution) that it took extraordinary education efforts to make employees confident enough to participate.

U.S.-headquartered companies that are growing globally often expand their multinational resources in stages by:

■ **Establishing small teams at headquarters to focus on human resources, compensation and benefits outside the U.S.** These teams may focus on collecting information on multinational benefits or subsidiary activity. One global benefits executive began by requiring all locations to submit job descriptions for their employees.

■ **Hiring or promoting local HR managers** who report to the local business managers as well as the global director in the U.S. Managers in the home office also say they try to cultivate regular two-way communications processes so that local managers do not perceive “it’s all top-down from headquarters” and are motivated to maintain contact.

■ **Setting clear responsibilities and approval standards** so that responsibilities are shared appropriately at the local or headquarter level. For example, companies often start by requiring all benefits decisions above a certain dollar level or involving plan changes to be submitted to headquarters for advice or approval.

Some large or diversified corporations that utilize a “shared services” model have established divisions for Global Administration or Global Services that include small expert teams to handle certain aspects of multinational benefits for all subsidiaries. Responsibilities may include managing benefits for all employees on expatriate assignments, or providing local human resource managers with oversight and strategic guidance on benefits planning.
As economic pressures force most companies to keep human resources staffing as lean as possible, global benefits managers are seeking viable options for outsourcing some of their global benefits management.

- Some of the employers interviewed favor a Third Party Administrator (TPA) to whom they outsource global benefits administration. However, many employers find that no one provider has the country coverage or multi-product expertise to do this worldwide.
- Some use a single carrier or TPA to manage specific benefits (such as supplementary medical, retirement plans or life insurance) across all of their locations, sometimes including the U.S.
- Others have found single sources to manage most of their benefits for expatriates or other globally mobile employees.

Typically, global benefits executives seeking ways to outsource must consider a variety of carriers, networks, brokers and consultants to assemble the global benefits resources they need.

**Leveraging multinational pooling networks**

In the interviews, decision-makers often mention multinational pooling as one of their key top-of-mind issues relating to managing multinational benefits — including those already using pooling and others who are considering it.

Multinational pooling provides the ability for a client with insured employee benefit plans in two or more countries to aggregate the financial experience of each local employee benefit plan. Employers can choose different pooling options based on their size, level of risk and individual needs.

As indicated in MetLife’s on-going trend research, companies of all sizes use multinational pooling, and utilization increases with company size:

According to the 7th annual MetLife Study of Employee Benefits Trends…

- 29% of U.S. employers with international operations utilize multinational pooling.
- The use of multinational pooling increases with employer size:
  - 23% for those with less than 500 lives worldwide.
  - 32% for those with 500+ lives worldwide.
  - 44% for those with 10,000+ lives worldwide.

The same survey suggests that multinational pooling may help employers not only in terms of cost, but also in terms of the quality and value of the benefits they deliver.

Among U.S. employers with international operations…

- 71% of those who use multinational pooling feel the benefits they offer are “better than competitors or the best in the industry in meeting the diverse needs of employees.” Only 41% of those who do not use pooling feel the same way.
Employers who have *not* yet tried pooling may have low awareness or misperceptions of pooling. The most common reasons that surfaced during MetLife’s research were:

- They think “we’re too small to pool” — that pooling networks are only interested in very large employee populations, not companies that are phasing their global expansion or must support some small operations.
- They assume pooling is just for situations where a company can only get coverage by joining a high-risk pool.
- They do not realize that pooled plan designs can vary country-by-country — an employer might create a life insurance pool with different income multiples for each country, or (subject to legal requirements) a multi-benefit pool that bundles life, disability, AD&D and business travel insurance in some countries but excludes disability in countries where it is not needed.
- They do not realize that they can add countries over time or move countries in and out of a pool.
- They assume that they can only pool with a network that already has local offices in all markets where their company has employees.
- They are skeptical about how pooling projections work across multiple currencies, especially in today’s often-volatile currency markets.
- They are concerned that pooling networks will require them to comply with the network’s data systems rather than being able to adapt to the employer’s systems.
- Local benefits or business managers may claim they can get better rates from local providers — or that terminating a local provider could have adverse consequences.

Those who have been *least* satisfied with past pooling experiences typically say that the primary or only motivation to pool was lower cost or the prospect of dividends. If cost savings were not significant, pooling became difficult to justify.

Those who have been *most* satisfied with pooling utilize it as a flexible tool to meet the varied needs of their local employees and help streamline the process of managing their multinational benefits. While they agree that the prospect of better pricing and dividends “always gets attention,” they often say that even without dividends there is value from leveraging their pooling networks, especially…

- **Having the assurance of local expertise even in areas where the company has minimal or no human resources staff.** One of the most extensive users of pooling began to use it out of necessity when she was the sole human resources professional for a global not-for-profit association; then continued the practice when she became head of global benefits for a major multinational corporation with operations in over 70 countries. Others find it essential for keeping their staff as lean as possible.

- **Accessing local data.** In particular, employers that use pooling said that they appreciate how local experience reporting makes it possible to respond to local trends (such as excessive disability claims) in a timely manner. This, combined with the network’s knowledge of local markets, lets employers “get better plans for their dollars.”

- **Using time and energy more efficiently** by working with a pooling network that offers a single point-of-contact versus constant communication with multiple providers across numerous time zones.
When asked how to get value from their pooling arrangements, employers recommend using multiple pools for greater expertise, making networks compete periodically through Requests for Proposals (RFPs) and choosing networks that provide excellent partnership.

A global benefits director from a technology-based manufacturer has migrated 90% of the workforce outside the U.S. to the Americas, Europe and Asia/Pacific. His experience illustrates the financial and operational advantage his company gains from multinational pooling:

“There are a number of financial benefits including where you get a dividend…. But putting the financial aspect on the side, what I like about it, especially if you’re in a large multinational organization, is having not only consistency, but having the data available at your fingertips from the provider that you’re working with.”

Action Planning for Employers:

✔ Continue to further your relationships with your global benefits counterparts. Work with them to obtain data around local government regulations and trends that will help you improve your global benefits program.

✔ Consider leveraging brokers, consultants, TPAs and other resources for ideas about multinational benefits and outsourcing.

✔ Become more familiar with your current global benefits programs to see where multinational pooling can benefit your overall strategy.

✔ Engage your broker or benefits consultant to begin an RFP process with global benefits networks to determine the best provider for a pooling solution. Periodically refresh the RFP process to ensure these networks are providing the best possible solution and partnership.

✔ Constantly evaluate and continue to grow your pool by recruiting more subsidiaries. This will help further streamline administration and possibly increase your potential dividend.
Global benefits decision-makers believe they bring great value to their companies by finding efficiencies, keeping actionable information and insights flowing between local and global decision-makers and helping employees understand and appreciate the value of their benefits.

Many know that upper management recognizes the value that global benefits management can bring to solving problems and finding efficiencies, such as:

- Managing costs through pooling and greater access to global benefits information.
- Helping corporate audit and relocation departments track and monitor expatriates.
- Monitoring international taxation issues.
- Tracking host country laws.

Beyond solving problems, several also say that successful global benefits management has paved the way toward other countries adopting initiatives first piloted in the U.S. There is potential for significant long-term returns to their company, such as:

- **Performance-based initiatives** designed to engage and educate employees on the business of their company. One company uses local team meetings to provide monthly updates on company performance and how it affects their rewards such as profit-sharing.

- **Defined Contribution Plans.** Many employers interviewed are migrating where possible from traditional defined benefit pension plans to defined contribution plans to decrease costs and improve financial stability by eliminating the unpredictable liabilities associated with defined benefit plans.

- **Wellness initiatives.** Now that employers have some experience with wellness initiatives in the U.S., they are eager to implement successful programs to their non-U.S. locations. In particular, they want to help mitigate “preventable” diseases through programs such as smoking cessation in countries where smoking penetration is still high and nutrition programs in countries where diabetes is prevalent. According to the 7th annual MetLife Study of Employee Benefits Trends, more than half (55%) of U.S. employers with international operations believe wellness programs are a very important benefits strategy.

As global benefits decision-makers, they get great satisfaction from the trust their company has in them, and the opportunity to do good for their employees.
Action Planning for Employers:

- Focus on the importance of a central unit for overseeing benefits programs across all locations. This will help develop a clearer picture of what is working and where there are areas for improvement.
- Communicate how centralized global benefits management is facilitating the birth of innovative ideas across borders.
- Highlight the importance of having one central team to access data for multiple countries (current trends, government mandates, etc).
- Discuss how adding multinational pooling and different global benefits techniques can benefit your company and improve your benefits strategy.
- Quantify the cost savings that can be achieved.

Conclusion

While business across borders is a norm, a global approach to multinational benefits is only recently coming into focus as an issue deserving increased attention. Developing a global benefits strategy is a critical step in moving beyond the piecemeal methods that have largely characterized multinational benefits in the past. Once in place, key to deploying a strategy will be continuously gathering current information — about government-mandated benefits and benefits offered by local and regional competitors. During these challenging economic times, effective management processes will be required to leverage internal staffs and benefits solutions more efficiently.

Companies that implement a global benefits strategy may see results on many levels: more effective administrative controls and information flows; employee retention in an increasingly competitive world economy; economies of scale through multinational pooling; and a competitive advantage through local and global recognition as a desirable employer.