

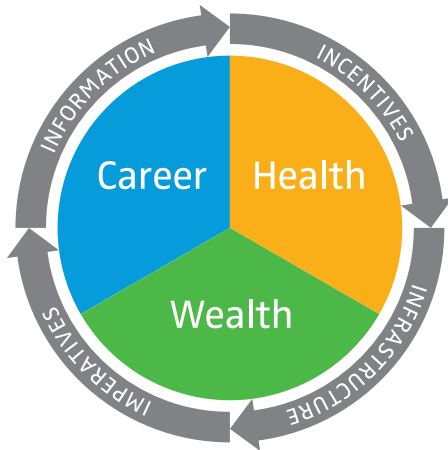


Engaging Employees in their Careers, Health, and Wealth

Culture of Shared Responsibility Enhances
Business Performance

Rapid changes in the political and economic environment, along with rising health care costs and retirement planning uncertainties, have forced employers to revisit their HR strategies and programs. One philosophy receiving renewed emphasis is shared responsibility between the employer and the employee.

Consumerism 360°™ proposes an employer-employee relationship built on the concept that employers can create a workforce of informed and engaged consumers who are empowered through incentives, information, infrastructure, and imperatives to take on increased responsibility for all elements of their Career, Health, and Wealth™.



Consumerism 360° is a philosophical “contract” that requires both employer and employee to meet specific commitments in order to achieve mutual goals. It represents the middle ground on a spectrum that ranges from paternalism, wherein the employer takes full responsibility for every aspect of employees’ security needs, to individualism, wherein the employee, as a free agent, independently purchases health care, funds his or her own retirement, and pursues career development opportunities.

Under Consumerism 360°, the employer provides an array of programs and decision-making support, and employees are responsible for making choices that maximize their personal benefits. In addition, the employer clarifies key elements of the employment value proposition: why employees should join the organization, choose to stay, and be motivated to maximize their contributions. Shared responsibility and mutual accountability come “full circle” — or 360°. **Figure 1** shows employer and employee roles under different scenarios.

Figure 1: The Spectrum of Employment Relationships

	Paternalism	Consumerism	Individualism
Essence of Contract	“We’ll take care of it for you”	“We support each other and share responsibility”	“You’re on your own”
Employer Role	Architect and custodian, providing adequate (or better) benefits and fair policies	Partner, enabling employees to make informed decisions and empowering employees to achieve overall well-being	Limited obligation; uninformed in the individual’s choices
Employee Role	Passive, “entitled,” waits for employers to make decisions, little concern about costs or impact	Engaged consumer seeking information, weighing alternatives, considering cost and outcomes	Independent contractor, minimizing cost and maximizing personal outcomes

The Context for the Employment Relationship

An employer’s most favorable position on the Consumerism 360° spectrum is determined by external, company-specific, and employee-specific influences.

External. Ever-changing political, governmental, economic, and social forces set the context in which organizations must operate. For example, health care and retirement reform are requiring employers to adjust their strategies. Also, economic realities have forced companies to alter rewards strategies, rethink the composition of the workforce, and shift resources to new, often short-term priorities.

Company-specific. Prerequisites for Consumerism 360° include the nature of a company’s culture and its adaptability to values such as accountability, trust, and openness. Communication capability, technology support, and infrastructure provide the environment in which employees can successfully adopt consumerism behaviors.

Employee-specific. Change can be hard. Employee willingness and ability to change often are compromised by time pressures and competing demands, both at work and in life. Most individuals require incentives or rewards to shift actions in the desired direction.

Behavioral economists (see **The Science of Behavioral Economics** on page 4) acknowledge that ideally, we all would make fully rational decisions — but human nature, inertia, and key principles, such as our tendency to over-weight present over future rewards, stymie action in our own self-interest. Armed with those insights, employers can design programs and support systems that help “nudge” employees to take the right steps for their Career, Health, and Wealth. Examples can range from 401(k) auto-enrollment default (with opt-out) to communication efforts that leverage social bias, loss or regret aversion, statistical optimism, and more — to encourage mutually beneficial actions. And incentive programs can be more thoughtfully designed to help promote desired action — both for the near- and long-term.

Consumerism in Action

Employees who are actively engaged in all aspects of their employment can transform organizations and help their employers win in the marketplace. Organizations can help them by taking specific actions in each of the three areas:

Career: Creating linkages between performance management, learning and development offerings, and career opportunities; providing clear performance standards, detailed expectations, and a line of sight from individual goals to business impact;

and ensuring that individuals’ performance ratings are differentiated and aligned with reward opportunities (cash, non-cash, learning and development, and more).

Health: Incenting employees to take more responsibility for health and wellness and to use health care resources responsibly; promoting health assessments and biometric screenings via education and various incentives that identify risks and drive healthy behaviors; and providing coaching support for lifestyle change and care management.

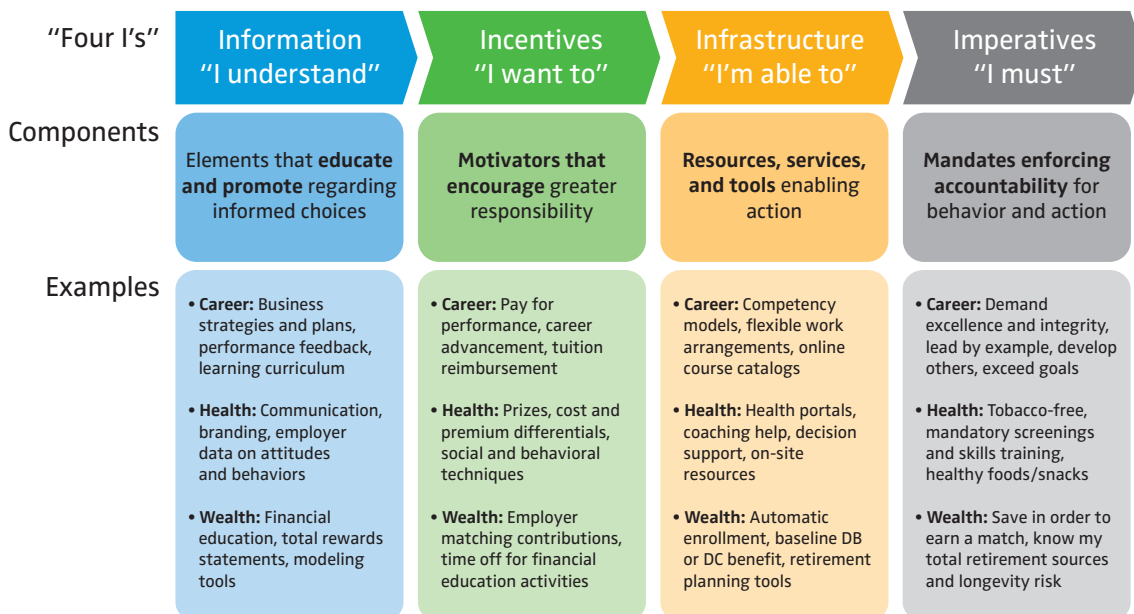
Wealth: Providing choices among defined benefit, defined contribution, and hybrid plans; promoting retirement and investment planning tools; and offering creative health-wealth cross-over strategies to encourage health savings account participation, and to enable additional sources of funding for retiree medical costs.

The Foundation of Consumerism 360°

Consumerism 360° depends on effective implementation of four levers of change — Information, Incentives, Infrastructure, and Imperatives.

Figure 2 is best reviewed from left to right, beginning with Information, through the design of Incentive programs and Infrastructure support (enablers), and finally with the

Figure 2: The Four I’s Form the Foundation for Consumerism 360°, as Levers to Drive Change



optional addition of Imperatives, or mandates. Too often, employer strategies over-rely on one element or another. Based on employers' urgency of objectives, current culture and environment, and available resources, each employer must design the optimal combination of elements to achieve the desired change in the employment relationship and in employee action.

Employer data reveals where employees' actions are not meeting key goals and where there are opportunities to make changes in both the employer and employee best interests. For example, health care data can reveal poor lifestyle and health habits. Retirement system reports can indicate poor saving and investing decisions, or insufficient retirement planning. Career management offerings, from learning management systems to succession planning applications, can zero in on talent needs holistically and at the level of the individual contributor.

In Conclusion

Consumerism 360° is a flexible, strategic framework that extends consumerism beyond health care purchasing and lifestyle decisions to include employee engagement in Career, Health, and Wealth. It acknowledges the competitive business trend toward "defined contribution" solutions in both health

benefits and for retirement and financial security, and reinforces the need for lifelong learning and updates to career and staff deployment strategies.

Implementing Consumerism 360° requires employers to assess their current state and articulate their desired position on the paternalism to individualism spectrum. Applying the principles of Consumerism 360° in an "optimal" way depends on the relative importance of several factors, including:

- Controlling human capital costs while maintaining the ability to recruit and retain critical talent
- Balancing short-term goals against longer-term objectives
- Recognizing the needs and preferences of employees of different generations, cultures, and life stages.

Consumerism 360° allows companies to connect strategy to program design, implementation, and communication, as well as predefined metrics for success. The payoff from this integrated approach will be a workforce that is better engaged in using available resources, who make more informed decisions about their Career, Health, and Wealth, and whose behavior is in alignment with the company's business and financial goals.

The Science of Behavioral Economics

Traditional economic theory suggests that given specific information and variables about a given condition, humans will make decisions that are in their best self-interest. Behavioral economic theory and research have shown that humans are emotional beings who often make self-harmful decisions due to innate biases.

Yet evidence confirms that human behavior can change, and "better" outcomes can be achieved. By changing the context in which people make decisions, we can encourage them to make decisions that are in their best self-interest, yet the individual retains freedom of choice.

Employers can use the principles of behavioral economics to help drive optimal choices in Career, Health, and Wealth. Examples include:

- Placing healthy foods at eye level in vending machines and first in the cafeteria line¹
- Offering a discount on benefit premiums or health account contribution so more people complete a risk assessment or biometric screening²
- Offering cash incentives to quit smoking³ or lose weight⁴
- Through auto-enrollment, achieving 401(k) participation rates in the high 90th percentiles

¹ Employee Benefit Research Institute (EBRI), "Lessons from the Evolution of 401(k) Retirement Plans for Increased Consumerism in Health Care: An Application of Behavioral Research," Issue Brief, August 2008.

² Richard H. Thaler and Cass R. Sunstein, University of Chicago, *Nudge: Improving Decisions About Health, Wealth, and Happiness*, Yale University Press, 2008.

³ Kevin Volpp, MD, PhD, et al., "A Randomized, Controlled Trial of Financial Incentives for Smoking Cessation," *The New England Journal of Medicine*, February 12, 2009.

⁴ Kevin Volpp, MD, PhD, et al., University of Pennsylvania, Center for Health Incentives and the Wharton School of Business, "Financial Incentive-Based Approaches to Weight Loss: A Randomized Trial," *Journal of the American Medical Association*, December 10, 2008.