

**LOOKING AHEAD**
Expert Dorn Swerdlin says big changes are coming for the employee benefits industry.

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Balancing act

Firms weigh costs, employee benefits in effort to hold on to key talent

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In the midst of one of the worst recessions in recent history, employers are confronting a need to cut the rising costs of benefits without destroying worker morale and perhaps losing top performers to competitors.

Those dual concerns were vividly reflected in the most recent MetLife Study of Employee Benefit Trends. Some 53 percent of employers surveyed indicated that controlling health and welfare benefit costs was their top priority. At the same time, 47 percent said that employee retention was a top goal and 42 percent put increasing employee productivity as a top objective.

"We found that employers were being very mindful and toeing the line in terms of benefits," said Ronald Leopold, vice president for U.S. business at **MetLife**. "In other words, we saw a surprisingly high rate of intention to keep benefits on board and the recognition that benefits are linked to employee retention."

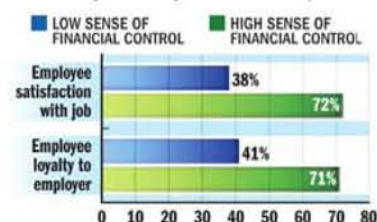
According to the survey, employers acknowledge that they are dialing back on benefits and other forms of compensation by

instituting salary freezes or lengthening the time between raises, or offering smaller percentage raises. Many are also concerned about the elevated cost of health insurance.

At the same time, most are also continuing to offer medical insurance along with dental, disability, life, voluntary benefits, retirements benefits, and health and wellness.

Retaining talent

Employees who are financially stable are more likely to be loyal to their companies.



Source: Eighth Annual MetLife Study of Employee Benefit Trends

"Three-quarters of employers told us they were not ready to make any substantive changes in terms of what they were offering," Leopold said.

Meanwhile, employees are becoming increasingly concerned about the availability of their own benefits.

"Questions about benefits and the availability of benefits are right up there with the stability of the company and the opportunity," said Kurt Ronn, president and founder of recruiting firm **HRworks LLC**. "I think benefits have always been important to the top producers, but they're also important to the core group of people that really does all the work. In today's market, offering benefits is certainly important to someone who is out looking for a job."

Although employers are keeping benefits in place, the trend is

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Ronn
HRworks LLC



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continuing to move toward shifting a larger percentage of the costs to individual employees.

"You still get the benefit if you work here but you may have to pay more into it," Leopold said. "This may be something we're offering but eventually it may become an employee-paid benefit."

In areas such as life insurance coverage, companies are reducing the total dollar value of the policies while allowing workers to buy larger coverage for themselves.

Keeping these benefits in place — even at a lower level — is much less likely to reduce morale than ending the benefit completely, Leopold said.

"Employees who said my company did not cut back on benefits were more apt to be satisfied and loyal to their employer than those employees who told us they did make significant cuts," he added.

The percentage of employers who said that retention is a very important business objective for their benefit strategy remained at essentially the same level before the recession as it was now, Leopold added.

Management realizes that although the down economy has restricted employee mobility, when jobs become more plentiful workers will be able to move to other firms.

"This time, because the economic downturn has been so significant and has been so bad and lasted so long, the industry is forecasting a résumé tsunami," Leopold said. "So the value of retention and the value in the benefits package that a company offers in retention is as strong as it ever was and our prediction is with economic recovery it's going to reach new heights."

Divided views

A 2010 MetLife survey shows a disconnect between what employers and workers see as drivers of company loyalty.

LOYALTY FACTORS	EMPLOYERS' PERCEPTION OF IMPORTANCE OF LOYALTY	EMPLOYEES' DESCRIPTION OF IMPORTANCE OF LOYALTY
Salary	67%	82%
Health benefits	59%	74%
Retirement benefits	43%	67%
Company culture	55%	47%
Advancement opportunities	45%	55%
All other benefits (dental, disability, vision, life)	39%	65%
Work-life programs	36%	53%

Source: Eighth Annual MetLife Study of Employee Benefits Trends

Along with traditional benefits, such as health insurance, companies are increasingly offering their employees a wide variety of other benefits, including products that they would have bought on their own. These new benefits can range from pet insurance to buying programs that allow workers to pay for appliances through payroll deduction.

"Employers are having to implement voluntary benefits such as **Purchasing Power LLC** that don't cost the employer any money to offer yet represents a value-add for the employee," said Elizabeth Halkos, chief marketing officer with Purchasing Power, a company that administers value-added programs.

By offering more tailored benefits, companies allow their workers to select the programs that best meet their needs. Not everyone needs a new washer and dryer or wants to insure their dog or cat, but those who do tend to regard these programs with a high degree of satisfaction, Halkos said.

Employers are also moving toward offering health and wellness programs

geared to get workers to stop smoking or lose weight. The idea behind these programs is that they can both reduce future

medical costs through prevention, while increasing productivity.

Most companies realize improving workforce health is a long-term goal that is unlikely to see any immediate reductions in medical costs.

Getting employees into programs such as walking for fitness tends to increase morale and create a greater sense of loyalty to the company, Ronn said.

"We found both of those factors when we asked employers and employees about the impact of wellness programs," Leopold said. "We are seeing a steady rate of growth and interest and engagement by employers in offering health and wellness programs."

Other benefits gaining in popularity among companies include financial education programs designed to reduce financial stress that can reduce worker productivity.