
Benefits Strategies for Attracting and Retaining Employees

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EXECUTIVE SUMMARY

The strategic implementation of employee benefit programs attracts the best qualified candidates for employment. In order to be profitable, a company must provide viable cost effective compensation and benefit packages. The survival of any business depends on how ethically its administrators operate with the best employees as they seek to fill positions in a competitive job market. An organizational workforce plan will help achieve business goals for attracting, retaining and engaging talent. By strategically implementing and communicating a valuable benefits program, the success of the business will be determined by the way the business operates with satisfied talented employees.

Keywords: Benefits, Compensation, Total rewards, Employee retention

INTRODUCTION

In any company, financial incentives are linked to valued behavior and employee retention. Total rewards consists of five elements: compensation, benefits, work-life, performance and recognition, development and career opportunities. Benefits play an important part in the total rewards strategy. To improve the quality of personal and work lives of employees, employee benefits encompass an indirect form of compensation.

A benefit is an indirect reward or non-wage compensation given to an employee or group of employees in addition to their normal wages or salaries. Benefits are a vital part of an employee's total compensation and are increasingly seen as entitlements. Employers continue to enhance benefits packages to attract employees to fill positions in an increasingly competitive job market (Opiela, 2000).

FINDINGS

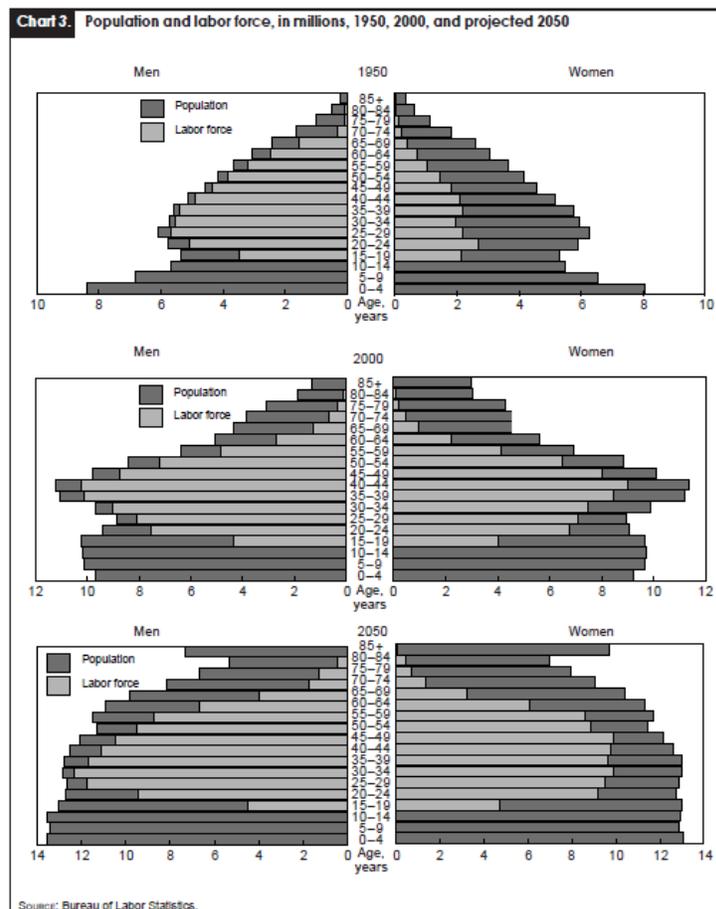
Research and studies have shown the major core benefits which attract and retain workers continue to be healthcare, retirement and work-life flexibility. Being creative, flexible and fully committed to engaging employees in the workplace can make a difference.

The scope of employee benefits is growing rapidly. For benefits to make a positive impact on an individual, the individual first needs to be aware of and understand the benefits their employer currently offers. Successfully communicating the advantages and potential impact of benefits presents a real opportunity for employers. Companies of all sizes need to be strategic in their approach to benefits communications.

Employers should select benefits that will reward and motivate employees. Employee benefits are a key driver of employee satisfaction, engagement and wellness. In turn, employees should be accountable for their health and take action to change their habits. Motivation is an important element in driving and sustaining levels of engagement from employees. People simply lack motivation to change if they are not inspired with some type of reward or if they feel the actions are not attainable.

Compensation in the form of pay, incentives, and benefits rewards people for performing organizational work. To be competitive, employers will need to develop and refine their basic compensation systems and use variable pay programs such as incentive rewards to attract talent. Total rewards packages that include voluntary benefits can be game-changers. More staff appreciates their employer when they understand their total compensation. The rapid increase in the cost of benefits, especially health care benefits, will continue to be a major issue for most employers.

FIGURE 1



As shown in Figure 1, the labor force projections reveal a population and consequently a labor force that possesses the following characteristics of change of the next 50 years (Toossi, 2006): the aging of both the labor force and population that will result in a slowing down of the growth rate of the labor force; the labor force aged 55 and older is rising rapidly resulting in increases in life expectancies and decreases in fertility rates of the US population; the labor force is projected to be nearly 24 percent held by those 55 years and older by 2020. This significant number of older age groups in the labor force resulting in a loss of much needed skills and significant amounts of institutional knowledge will be retiring (Toossi, 2006).

Employers continue to underestimate the power of leveraging their benefits programs even though they seemed to understand how items like salary and wages, advancement opportunities and company culture influence employees' feelings of loyalty. (SHRM, 2012, March).

Benefit offerings to address different stages in an employee's life can be achieved by restructuring the existing benefit plan. Plan designs can consequently address the need for cash, vacation time and career training for those aged 20 to 35; more work/life balance choices, along with life and medical coverage, for those in their late 30s and 40s; and more emphasis on pension and medical for those aged 55 and older. Figure 2 is a tabular representation of the relative importance of employer costs for employee compensation.

FIGURE 2

Table A. Relative importance of employer costs for employee compensation, December 2011

| Compensation component | Civilian workers | Private industry | State and local government |
|------------------------|------------------|------------------|----------------------------|
| Wages and salaries | 69.4% | 70.5% | 65.4% |
| Benefits | 30.6 | 29.5 | 34.6 |
| Paid leave | 7.0 | 6.9 | 7.4 |
| Supplemental pay | 2.4 | 2.8 | 0.8 |
| Insurance | 8.9 | 8.1 | 11.9 |
| Health benefits | 8.4 | 7.6 | 11.6 |
| Retirement and savings | 4.6 | 3.6 | 8.3 |
| Defined benefit | 2.7 | 1.5 | 7.5 |
| Defined contribution | 1.8 | 2.1 | 0.8 |
| Legally required | 7.7 | 8.1 | 6.1 |

A fringe benefit rate is the cost of an employee's benefits divided by the wages paid to an employee for the hours working on the job. According to the *Weekly Fringe Benefit Costs per Employee* survey from 1968, as shown in Figure 3, employers spent an average of \$33.06 per employee per week for fringe benefits (*Nation's Business*, 1968). The U.S. Bureau of Labor Statistics report from December, 2011 showed private industry employers spent an average of \$28.57 per hour worked for total employee compensation. Wages and salaries averaged \$20.14 per hour or 70.5 percent, while benefits averaged \$8.43 per hour or 29.5 percent. Employers now spend an average of \$337.20 per employee per week for fringe benefits (Bureau of Labor Statistics, 2012, March).

FIGURE 3

WEEKLY FRINGE BENEFIT COSTS PER EMPLOYEE

| | 1957 | 1967 | Per cent Increase |
|---|-----------------|----------------|-------------------|
| Paid vacations..... | \$3.29 | \$5.21 | 58 |
| Private pensions..... | 3.56 | 5.02 | 41 |
| Old Age, Survivors, Disability and Health Insurance taxes | 1.75 | 4.88 | 179 |
| Insurance (life, sickness, accident, hospitalization).... | 1.90 | 4.02 | 112 |
| Paid rest periods, lunch periods, wash-up time..... | 2.00 | 3.44 | 72 |
| Paid holidays..... | 2.00 | 3.25 | 63 |
| Profit-sharing payments..... | 0.69 | 1.48 | 114 |
| Unemployment compensation taxes..... | 0.85 | 1.25 | 47 |
| Workmen's compensation..... | 0.62 | 1.00 | 61 |
| Paid sick leave..... | 0.52 | 1.00 | 92 |
| Discounts on goods and services purchased from company..... | 0.10 | 0.25 | 150 |
| Employee meals furnished free..... | N.A.* | 0.23 | N.A.* |
| Other fringe benefits..... | 1.58 | 2.03 | 28 |
| Total fringe benefits..... | \$18.86 | \$33.06 | 75 |
| Average weekly earnings... \$86.54 | \$124.32 | 44 | |
| Fringe benefits as per cent of employee earnings.... | 21.8 | 26.6 | |

*Data not available.

CONCLUSION

Offering benefits that align with a firm's demographics, needs and objectives will be a key to success in helping fulfill business goals. Salary may be important to attract employees, but benefits seem to play more of a significant role when retaining employees. Employees are becoming more and more concerned with balancing their work and family lives. A flexible benefit plan will be a top benefit strategy for employee retention and satisfaction. It will attract the generation of workers who value greater choice in all aspects of their lives.

Employee understanding of their benefits package is very critical. Demographic shifts with organizational implications will take place as baby boomers reach retirement age and it will be challenging to find ample college-educated workers to fill the ensuing labor gap. Recruiting will be a top priority to labor pool reductions. The true value of employee benefits in the workplace is astounding. Benefits not only can empower employees and their families to lead better lives at work and home, but they can also help employers cut costs, increase productivity, retain talent and influence company culture.

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