Executive Summary
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Employers Retain Employee Benefits, But Shift Strategic Focus

Within the last 12 months, the majority of organizations have offered the same amount (58%) of employer-sponsored benefits or have increased (35%) the number of benefits offered (see Figure 1). Of the hundreds of types of benefits that organizations provide to their employees, health care remains the driver for how those benefits plans are composed, particularly as employers continue to weigh the various effects of the Affordable Care Act (ACA). According to a report by SHRM and EBRI, few organizations are eliminating health care benefits as a result of federal reforms. However, many are changing the composition of those plans—in some cases relying more heavily on a preventive approach that can reduce health care expenses—and shifting a greater burden of costs onto employees as well. This trend is reflected among the results in this most recent SHRM Employee Benefits research report.

Consequently, patterns in health care spending directly affect the types of other benefits that organizations offer. And in an environment with limited compensation growth in most sectors of the U.S. economy, a competitive benefits package can make the difference in attracting top talent to an organization. Research has shown that many job seekers frequently place greater importance on health care coverage, flexible work schedules and other benefits rather than on their base salaries. Benefits plans should be viewed by HR professionals as a vital tool in their retention and recruitment strategies.

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Summary of Findings

Health care and welfare benefits: Five-year trends show an increase in the percentage of organizations offering mental health care coverage, contraception coverage, vision insurance, short-term disability insurance, health savings accounts (HSAs), critical illness insurance, employer contributions to HSAs and coverage for laser-based vision surgery. Compliance with the ACA may be affecting the growing prevalence of these benefits, although steady increases in the cost of health care over the last decade have led organizations to explore health care options that actively involve employees in their health care decisions. Forty-three percent of organizations offer HSAs, an increase of eight percentage points over the last five years; 30% of organizations offer employer contributions to HSAs, a 10 percentage point increase over the last five years. Meanwhile, there were declines in the percentage of organizations offering health care premium flexible spending accounts over the last five years.

Preventive health and wellness benefits: One of the key strategies many employers are using to reduce health care benefits costs is to boost employee health through preventive health and wellness benefits. The past five years have seen increases in the percentage of organizations offering general wellness programs, health care premium discounts for employees’ participation in various programs, health and lifestyle coaching, and preventive programs specifically targeting employees with chronic health conditions.

Retirement savings and planning benefits: The majority of organizations continue to offer defined contribution retirement savings plans. In fact, more organizations have offered Roth 401(k) or similar defined contribution retirement plans in 2015 compared with 2011. Furthermore, a greater percentage of organizations have provided retirement advice tools such as one-on-one individual investment advice and retirement preparation advice over the last five years. However, there have been substantial declines in the number of organizations offering defined contribution plan loans in 2015 compared with 2011.

Financial and compensation benefits: The results revealed several statistically significant differences between 2015 and 2011. More organizations offered spot bonuses/awards and nonexecutive sign-on bonuses, and donated for participation in charitable events, while fewer organizations provided automobile subsidy for business use of personal vehicles, credit unions, full flexible benefits plans and payroll advances. Nonexecutive incentive bonus plans, group/classroom financial advice, one-on-one financial advice and qualified transportation spending accounts increased in prevalence since 2014.

Leave benefits: While there were no statistically significant differences in paid vacation plans, fewer organizations offered a paid vacation leave donation program and a paid vacation cash-out option in 2015 than in 2011. Several leave benefits increased in 2015 compared with 2014: paid sick leave plans, paid family leave, paid maternity leave, parental leave above federal FMLA leave, and parental leave above state FMLA leave.

Family-friendly benefits: There was a five-year decline in the percentage of organizations permitting employees to bring their child to work in an emergency and offering child care referral services and on-site parenting seminars. There were no statistically significant increases in the percentage of organizations offering family-friendly benefits over the last year.

Flexible working benefits: Most of the flexible work benefits examined remained constant, though there were increases over the last five years in the number of organizations offering casual dress day (one day per week) and telecommuting on an ad-hoc basis.

Employee programs and services: Several five-year trends were found: prevalence of paycards, employer-sponsored personal shopping discounts and pet health insurance increased, whereas prevalence of postal services, on-site cafeterias with fully or partially subsidized items and executive club memberships decreased.

Professional and career development benefits: The majority of professional and career development benefits have remained steady. Percentage of organizations paying for certification/recertification fees in 2015 compared with 2011 increased, and prevalence of college selection/referrals increased in 2015 compared with 2014.

Housing and relocation benefits: Housing and relocation benefits yielded few differences between 2015 and 2011: fewer organizations offered home insurance programs and spouse relocation employment assistance.

Business travel benefits: There were minimal changes in business travel benefits in 2015 compared with 2011: more organizations offered per diem for meals and first or business class airfare for domestic and international travel, whereas fewer organizations reimbursed personal telephone calls while on travel.
Looking Ahead

Prepare for more changes associated with the Affordable Care Act. Aside from determining the various effects of federal health care reform, as well as its impact on the types of plans provided to employees, HR professionals are at the center of their organizations’ regulatory compliance with the ACA. Starting in 2016, for example, small businesses with 50 to 99 full-time employees will need to start insuring those workers or be subject to penalties. Although businesses with fewer than 50 employees are not affected by this rule—and they represent 96% of all companies in the United States—HR professionals in the “50-to-99” category will need to weigh the costs of providing coverage and what types of plans to offer, or decide whether to forgo coverage and pay the federal penalties. SHRM research has shown that for many HR professionals, the complexity of the ACA is a major barrier to its implementation, and as a result, many have consulted their organizations’ legal counsel and sent HR staff to classes/training on the law.

Consider career development benefits as a means of retaining and attracting top talent. Following a year when participation in professional development benefits dropped at many organizations, 2015 data show that this trend has reversed. This switch is a positive change, considering that many HR professionals have reported difficulty recruiting for full-time positions as of late. If the skills gap continues, organizations should consider training from within or offering other forms of professional development as part of their benefits plans. This approach can enhance the skills of their existing employees as well as provide an attractive benefit for recruitment targets of HR professionals.

Be flexible and consider the needs of employees at all levels. Flexible work arrangements (FWA) have proven popular for workers of all demographic groups and should be considered, if feasible, as part of a benefits package. Despite their increased use and popularity though, recent SHRM research has revealed a drop in the percentage of organizations that had a majority of employees eligible to participate in FWAs. HR professionals should consider many options when creating a flexible work plan, particularly because many workplaces include members of several age demographics. This approach may include off-peak hours for younger employees who may not prefer a 9-to-5 environment, or limited schedules for older workers who wish to transition into retirement, for example.

Make employees aware of the benefits they have. Considering that benefits plans are a crucial segment of recruitment and retention efforts, it is paramount that HR professionals communicate the advantages of these benefits to employees as often as possible. Less than one-tenth of HR professionals said their employees were “very knowledgeable” about the employer-sponsored benefits available to them, according to recent SHRM research. And many admit that they need to do more to improve this situation—only about one out of five said that their benefits communication was “very effective” in informing employees. Using social media and various forms of internal communication systems can be an effective approach for HR professionals’ benefits strategies.

Continuously obtain feedback on the effectiveness of benefits in recruiting and retaining employees. The workforce is constantly evolving, and these shifts influence how employees perceive their benefits plans. The marketplace is also continually undergoing change, so benefits programs must be regularly assessed to make sure that employees understand the value of their benefits packages and that the organization is remaining competitive in the marketplace. The use of benchmarking tools, benefits needs assessments and employee surveys may become even more widespread as technology helps make them more accessible and cost-effective.