2009 Employee Benefits

Examining Employee Benefits in a Fiscally Challenging Economy

SHRM™
SOCIETY FOR HUMAN RESOURCE MANAGEMENT

Executive Summary: The Impact of the Economy on Employee Benefits

According to this research, the vast majority of HR professionals indicated that their organizations have been affected by the current financial challenges to the U.S. and global economy. In this fragile economy, organizations are looking for ways to manage costs while at the same time dealing with the escalating expenses of employee benefits. So it is not surprising that 60% of organizations reported that the benefits offerings at their organization have been affected by the current financial challenges.

Additional noteworthy findings included the following:

- Most employee benefits offerings have experienced a slight downward trend over the last year.
- HR professionals indicated that their organizations spent on average 20% of an employee's annual salary on mandatory benefits, 19% on voluntary benefits and 11% on pay for time not worked benefits.
- Eighty-one percent of HR professionals reported that their organizations reviewed their benefits programs annually, and 12% reported reviewing them even more frequently. This percentage increased significantly over the last year. In 2008, almost three-quarters (74%) of HR professionals reported that their organizations reviewed their benefits programs annually.

What Do These Findings Mean for Businesses?

Employees consistently rate benefits as one of the key factors in employee job satisfaction. It is important for an employee benefits package to be attractive to both current and prospective employees as well as cost-effective, especially in this economic downturn.

What are additional ways for organizations to further leverage their benefits programs?

- **Communicate the Value**

Even though benefits are important to employees, a disconnect exists between the dollar amount organizations spend on benefits and the employees' perception of the value of their benefits package. It is essential that HR professionals help employees fully understand all of their options and the true value of their benefits package. Total compensation statements, employee meetings and benefits workshops are examples of communication methods that HR professionals can use to ensure their benefits program is valued and used by employees.

- **Review and Assess**

An organization's benefits program should be reviewed and assessed not only to monitor associated costs and value but also to evaluate the competitiveness of the program. The vast majority of HR professionals in this research study reported that their organizations reviewed their benefits programs at least once a year. Benchmarking tools, survey reports and benefits needs assessments are great tools HR professionals can use to help their organizations customize their benefits programs to meet their needs and to remain competitive.

- **Monitor Legislation**

The 2008 election resulted in victories for the Democratic Party, which captured the White House and increased its majority hold in both the U.S. Senate and the House of Representatives. SHRM predicts the 111th Congress will have the most active workplace policy agenda in the last 30 years. These changes being considered in Congress could have a major impact on HR and employee benefits-related issues: the expansion of the FMLA, new retirement planning and health care reform legislation. HR professionals should constantly monitor changes in legislation to make sure their benefits programs are compliant with local, state and federal laws.[1]

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