CAPTRUST

Benefits: A Boon for Employers

Since the beginning of the COVID-19 pandemic, more and more workers have reevaluated their financial well-being and life priorities. In fact, a historically high 4.3 million workers quit their jobs in December, closing out a year when roughly 47.4 million people voluntarily left employment. And while workers' motivations to quit are varied, studies show that most of them feel there is room to improve the competitiveness of their employers' benefits.

According to employee management platform provider Lattice, 80 percent of job seekers believe their companies need to reevaluate the benefits they offer. Sixty-seven percent of job seekers surveyed indicated benefits are more important to them now than before the pandemic, and 54 percent would consider taking a lower-paying job with a better benefits package.

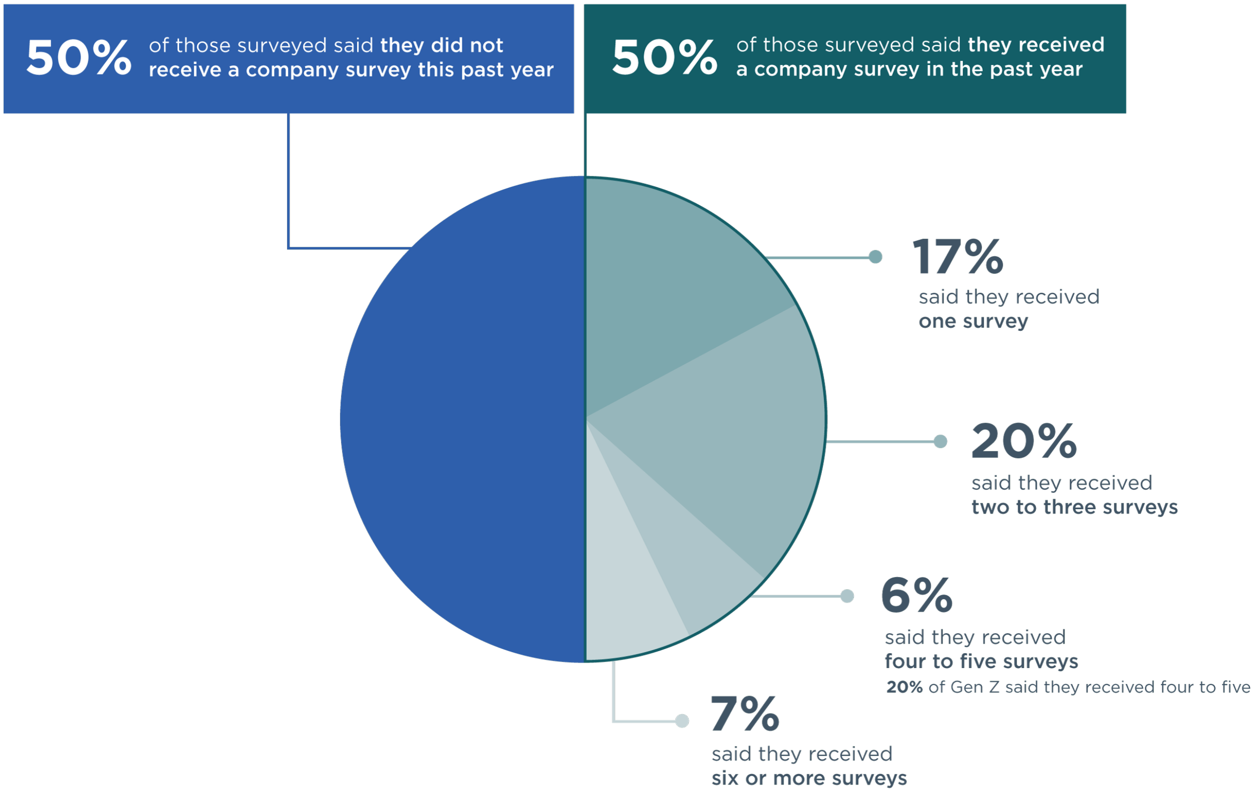
For employers who truly want to reframe the Great Resignation into the Great Attraction, a good place to start is with the benefits options offered to employees.

Engage Your People

Employers looking to reevaluate their benefits to attract and retain the best talent should tap a data source close to home: their employees.

An overwhelming majority of employees want to share feedback with their employers. In fact, 78 percent say they are eager to do so, according to the Explorance Employee Feedback Survey. Even better, nearly all—98 percent—say they always, usually, or sometimes provide answers to open-ended questions when asked. The bad news, as shown in Figure One, is that half of workers are not being asked for comment.

Figure One: The Percentage of Employees Who Received a Company Survey in the Past Year



Source: Explorance Employee Feedback Survey

What's worse, when employers fail to engage employees on how to shape benefits, employers become overconfident. For example, research from MetLife reveals nearly 50 percent of employers think the salary and benefits packages they offer make their companies great places to work, compared to just one in three employees.

But there are ways employers can stop mismatches between the benefits job seekers and employees want and what is offered, says CAPTRUST's David Will, an institutional retirement plan advisor based in Allentown, Pennsylvania. Employers need to launch a broad employee survey, get feedback, get more data, and determine trends, Will says in a CAPTRUST webinar. "A good portion of my clients are sending out a survey annually, if not more frequently."

Will says these inputs have led to new benefits and resources, for example, free access to *care.com* for childcare and elder care support, extra time off that employees can use to care for themselves or family members, and employee assistance programs (EAPs).

Focus on Inclusivity

Employee survey data can also help employers understand how different employee groups may have differing priorities and how different employee groups may be using benefits, says CAPTRUST Defined Contribution Practice Leader Jennifer Doss. “Having a better handle on workers’ wants and needs will help employers consider the things that are most meaningful to various employee populations.”

Seventy percent of job seekers want to work for a company where everyone is included, regardless of age, gender identity, disability, sexual identity or orientation, military status, ethnicity, racial identity, disability status, citizenship status, socioeconomic status, faith, education, geography, or organizational position status—and this list is not exhaustive.[1]

But all too often, employees feel they are not equally included or considered, says Rosalyn Brown, the equity, diversity, and inclusion director for WE Inspire. Promote. Network. (WIPN). For example, as Brown suggests in a recent CAPTRUST podcast, pick up one of the older benefits brochures. “They all look the same,” Brown says. “It is typically an older white man or older white woman, and they are sitting in some rocking chairs, maybe overlooking a body of water.”

But that is not what life looks like for so many people, she says. “What if you’re in a same-sex marriage? What if you want to be active and not sit in a rocking chair?” Brown says. “What if you started off and you were in a country where you can’t trust your government?” Brown says all of this impacts how employees approach retirement savings and every other money situation in their lives.

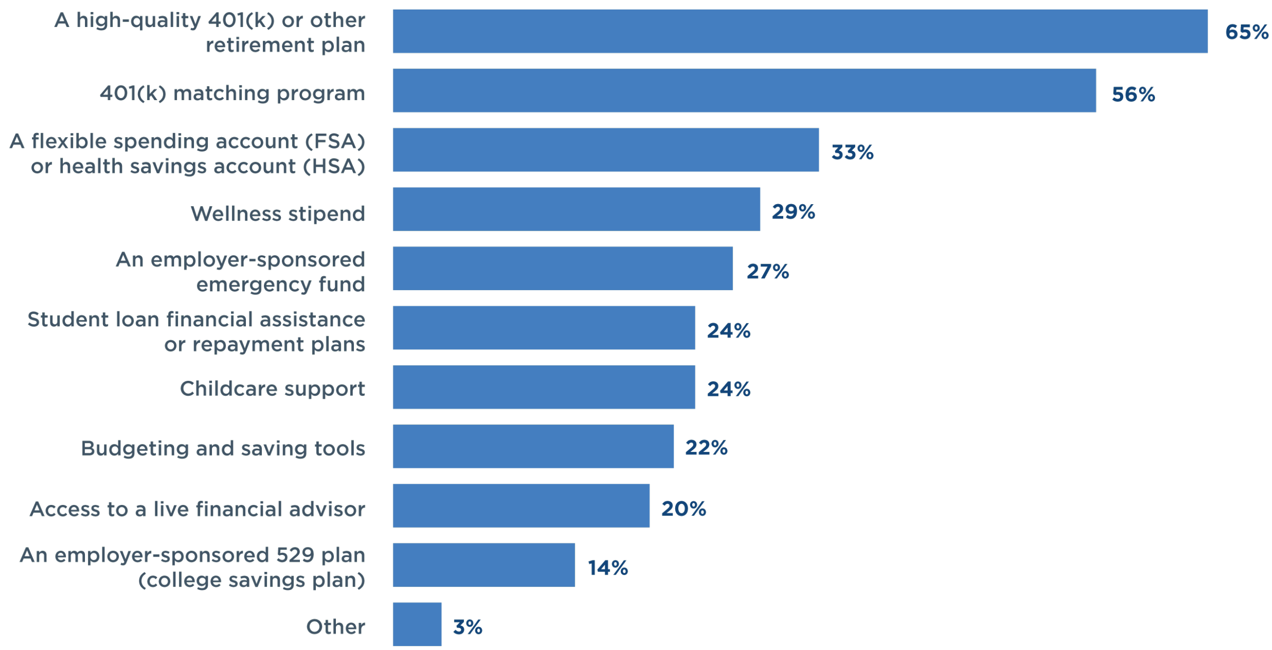
For employers who want to cultivate a workplace where everyone is included, start by looking at upper management. “If when you sit in the [decision-making] room and you look around the table, if everyone looks exactly the same, you have a problem,” Brown says. “That is when you don’t have those new ideas, those ‘what are our competitors doing’ ideas.”

When employers invite different skin colors, different backgrounds, religions, generations, cultures, and heritages into the room, all of those individuals can feed in to a diverse and inclusive benefits package, Brown says. “If we’re going to help [employees] make great decisions for that next generation … we have to understand a bit more about the culture they come from and what they [are] receptive to.”

Get Creative about Savings Plans

When asked about what specific benefits would entice them to leave their jobs, workers voted a high-quality 401(k) or other retirement plan as the No. 1 answer, followed by a 401(k) matching program. As shown in Figure Two, respondents also rated a flexible spending account (FSA) or health savings account (HSA) highly, along with a wellness stipend, an employer-sponsored emergency fund, student loan financial assistance or repayment programs, and childcare support.

Figure Two: What Benefits Would Entice You to Leave Your Job?



Source: Betterment

Employees want and demand different things of employers than they did a few years ago, says CAPTRUST's Jeremy Tollas, an institutional retirement plan advisor based in Grand Rapids, Michigan. For example, take highly compensated employees (HCEs). For those employees who are not able to maximize their savings in a qualified plan, a nonqualified deferred compensation (NQDC) plan might be particularly interesting. A NQDC plan can help restore lost pre-tax deferral opportunity and company match due to Internal Revenue Service (IRS) limits in the qualified plan.

Roth 401(k)s are a popular option among David Will's CAPTRUST clients because they can be a really powerful tool for retirement planning and for estate planning purposes, he says. "Adding a Roth account option into your 401(k) plan may offer you and your employees the choice and flexibility you're looking for in your company's retirement benefits," he says. "Roth balances are not taxed upon withdrawal, so even if participants are paying fairly high taxes, there may be potential to make use of a Roth benefit mid-career."

Employers are also noticing current and prospective employees are beginning to demand more than just a return on their investments—they want them to align with their values. Organizations that prioritize environmental, social, and governance (ESG) investing as part of their employee benefits, retirement plan investment options, and broader workplace culture may stand out as employers of choice.

Other changes for employers looking to attract and retain the best talent might include new curricula with financial advice based on life stage, more individualized programs, and managed accounts tailored to the employee's finances, goals, and risk tolerance.

The bottom line is employers looking to attract and retain the best talent need to challenge plan design and make sure there is a focus and purpose to plan provisions. "What we're really trying to stress to clients is: Why don't you step back with a new set of eyes and take a clean sheet of paper approach to really reexamine your plan design?" Tollas says. "It's about benchmarking your plan. Look at your industry—similarly sized organizations and direct competitors—to ensure you are leading the pack, particularly when it comes to vesting, matching contributions, participant advice, and financial wellness services."

Don't Underestimate Financial Wellness

COVID-19 has taken its toll on employee finances. Many report that they are still hurting financially from the last 18 months and desire additional support. In fact, more than 75 percent of full-time U.S. employees reported that the pandemic made them reevaluate their financial situations.

Moreover, workers who faced increased financial setbacks during the pandemic said they would be attracted to a company that cared more about their financial well-being than their current employer—something that is especially true for two-thirds of today's U.S. labor force, millennials, and gen Zers.

With financial wellness such a hot topic, retention-conscious employers are responding. One of them is restaurant Noodles & Company. In the fall of 2019, the restaurant teamed up with a financial app provider to provide its more than 8,000 employees with early pay access, which the organization has seen improve retention and employees' financial wellness. Since then, a quarter of Noodles' workforce is actively saving every month and have collectively deposited more than $550,000 into their savings accounts.

Another good example is PayPal. After conducting an assessment on the financial wellness of its hourly and entry-level workforce, PayPal found that many employees were struggling to pay their bills each month despite market pay alignment. The company instituted several changes to improve its employees' financial well-being, including lowering the cost of healthcare benefits, making every employee a stockholder, raising wages where appropriate, and offering new financial coaching programs.

Tell the Benefits Story

Nearly half of working Americans report that because of the pandemic, having access to benefits through their employers is more important than ever.[2] But if employees lack an understanding and appreciation of those benefits, they may be tempted to look at what other employers are offering.

There is real opportunity to close the perception gap, Doss says. “Employers want to look at how they can get their workers to more fully use the benefits they already provide.” One way to do that, she says, is to communicate the organization’s unique total rewards story. “Showing current and prospective employees the benefits awarded to them on an annual basis, including both direct and indirect compensation, helps maximize the return on an organization’s investment in its employees.”

However, it is important for employers to communicate this information in a way that resonates, Doss says. People on the receiving end are filtering words through their personalities, cultural affinities, and value systems that define who they are. Multiply this by the number of people receiving the communication, and the likelihood of misunderstanding rises.

It is up to employers to make benefits communications available through different media, easily accessible, and available in multiple languages. Employers might try incorporating this shift in open enrollment and benefits materials through anecdotes, employee testimonials, and lunch-and-learn sessions. Steer away from a list of features and lean into stories that explain the value.

Remember, employees crave a way to ask questions and give feedback on their work environments. The same is true of employee benefits, so remember that communication channels should run both ways.

BOLO for Brain Drain

According to John Diehl, director of applied insights at Hartford Funds on behalf of the Massachusetts Institute of Technology (MIT) Age Lab*,* if employers really took an honest look at their workforce and their employees who are approaching retirement age, they might say to themselves, “Boy, if we lose business-critical expertise like this, what are we going to do?”

The reality is, 62 percent of employers at Fortune 1000 companies believe that baby boomers retiring without transferring their knowledge or expertise to successors will result in gaps in unique skills, experience, and institutional knowledge.

Because of this phenomenon called brain drain, employers may want to reconsider who they’re investing in and start offering benefits more compatible with the groups they are recruiting, Diehl says in a recent CAPTRUST podcast.

Laurie Ruettimann, Raleigh, North Carolina-based HR consultant and author of *Betting on You,* calls it a “gray-collar strategy.” Ruettimann told *The Wall Street Journal* that hiring managers need to understand that talents and labor aren’t young. This means not just looking at gen Z and millennials but adding more skills to the older workers’ palette through either reverse mentoring or through formal educational reimbursement. What’s more? Having a succession plan, a process for identifying and developing new leaders who can replace previous leaders, is essential.

When labor force participation will return to pre-pandemic levels—no one knows. But for farsighted employers who partner with their employees to reinvent workplace culture, the future is full of possibility.

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[1] "70 Percent of Job Seekers Value a Company's Commitment to Diversity When Evaluating Potential Employers," *The Manifest*, 2020

[2] Godbout, Ted, "Employee Well-being Study Reveals Wide Disconnect," *Napa-net.org*, 2022