

# Benefits Are Center Stage

5 steps to designing and delivering an  
ovation-worthy benefits program



## Benefits were already important, but COVID-19 brightened the spotlight.

Before the pandemic, the economy was strong, and [unemployment](#)<sup>1</sup> was historically low. HR teams were focused on navigating an employment marketplace where demand for talent put employees in the driver's seat. With strenuous competition for employees and a focus on recruitment and retention, many businesses were sweetening their [benefits](#)<sup>2</sup> programs to attract new employees and keep the ones they had.

As a result, benefits had been getting renewed attention as a competitive advantage in what often seemed like a raging war for talent.

That attention has only increased since the advent of COVID-19 but for a different reason.

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## While many Americans lost their jobs and their benefits in the pandemic, some employers tried to soften the blow as best they could.

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While many Americans [lost their jobs and their benefits](#)<sup>3</sup> in the pandemic, some [employers](#)<sup>4</sup> tried to soften the blow as best they could. A number continued healthcare coverage with furloughs or offered a COBRA subsidy (before it was mandated by the American Rescue Act). Others set up post-employment HRAs.

And with all the economic uncertainty and concerns about health well-being associated with the pandemic, benefits became that much more [important](#)<sup>5</sup> for employees, too.



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## A well-designed benefits program can help bring people in and keep them in their seats.

Even with unemployment expected to remain higher than it was before the pandemic, businesses and [HR professionals](#)<sup>6</sup> are still concerned about finding and keeping top talent.

They are also more mindful of the physical, emotional and [financial](#)<sup>7</sup> health of their workforce and their level of responsibility for helping employees maintain their overall well-being.

### Benefits are an effective tool to address both these objectives.

However, many businesses have suffered serious economic setbacks, making the distance between what they want to do with their benefits program and what they are able to do feel daunting.

The challenge is finding ways to design and deliver the best benefits program at the best cost. Employers that aren't able to navigate this challenge may be at a competitive disadvantage as the economy recovers and hiring continues to increase.

In this guide, we review the five steps organizations can take to better align their benefits goals and program with the needs of their employees and the financial realities that impact spending.



**1** Have clear goals and objectives



**2** Understand your workforce



**3** Determine your budget and cost

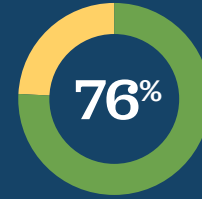


**4** Develop a plan for your program

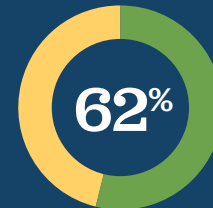


**5** Engage employees

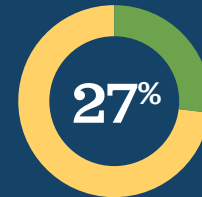
Benefits are a non-negotiable for many employees—both current and prospective.



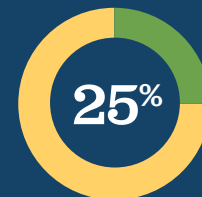
76% of people believe employers have a responsibility for the health well-being of their employees  
Source: [Alegeus](#)<sup>8</sup>



62% of employees think benefits are more important now because of the pandemic  
Source: [MetLife](#)<sup>9</sup>



27% of employees plan to change jobs in 2021  
Source: [IBM](#)<sup>10</sup>



25% of those planning to leave are looking for more benefits and support for wellbeing  
Source: [IBM](#)<sup>11</sup>




60% of employees said benefits were an important reason they joined their company  
Source: [MetLife](#)<sup>12</sup>

## Step 1: You need a strong plot line. Have clear goals and objectives for your benefits program.

Before starting any project it's important to understand and clearly articulate what you want to accomplish. This gives you something to work toward and helps create metrics against which to measure success. Since most benefits aren't required or mandated, they are offered at the discretion of the employer. So while it may seem absolutely necessary to offer things like basic life insurance or dental coverage in order to attract and maintain a skilled workforce, it's really up to you what your benefits look like.

### First consideration: Competitive position

 How you want to stack up against competitors is one objective to consider. Benefits are a reflection of the employer and employers have varying perspectives about how a benefits program positions the company.

Look at what's standard in your industry, in your geographic location or for a business your size.

1. Do you want to offer benefits that are considered middle-of-the-pack?
2. Are you looking to be more competitive and offer a richer benefits program than peer companies?
3. Do you offer other advantages—such as higher-than-average compensation—so core benefits are less important?

Benefits are generally intended as tools for recruitment and retention, so knowing what other employers offer can help you understand where you fit in the pack. To get this key information consider investing in access to a [formal benchmarking](#)<sup>13</sup> survey. Your benefits broker can also provide insights on where your benefits are relative to peer organizations.



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## Second consideration: Responsibility for employees

Another key element of your goals and objectives is the role you want benefits to play in your employees' lives. In the wake of COVID-19, a [majority of employers](#)<sup>14</sup> plan to increase their investment in employee benefits. At the same time, more [employees](#)<sup>15</sup> feel that employers have responsibility for the well-being of their employees, so this is definitely a factor to consider.

1. Does the benefits program allow employees to save for everyday needs, out-of-pocket healthcare costs and retirement?
2. Do employees have access to coverage that can safeguard them against catastrophic costs both in terms of healthcare spending and other spending?
3. Does the benefits program include wellness resources to help employees improve their physical, financial and emotional health?
4. Does the benefits program include mental health resources?
5. Does the benefits program offer flexibility or programs to address employees' work/life needs?



## Third consideration: Choice and customization

The opportunity to [customize and personalize](#)<sup>16</sup> their benefits is something employees want and many employers have embraced, especially with a multi-generational workforce where people may have varying needs in terms of costs and plan features.

Consider how much you want to allow for personalization as this will impact how many options and different benefit types you offer.

These aren't the only types of goals you might have for your benefits program. Employers differ significantly in their business objectives, their workforce, their budget and their overall benefits philosophy. However, to ultimately arrive at the benefits program that is most appropriate for your organization and your workforce it's important to clearly define what role you want benefits to play in your general business model.



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## Step 2: Know your audience (in this case, your workforce).

Studies show that employees who [appreciate](#)<sup>17</sup> their benefits are more engaged, demonstrating that a well-designed program can help boost productivity.

Since your employees are the end-users for your benefits, getting a handle on the composition of your current workforce can help you determine what you should offer to get the maximum return on investment.

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### Employees of different generations are at varying points in their lives and have different needs.

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Thinking about employees by various characteristics can help you forecast which benefits will be most beneficial for your employees while helping you meet your overall goals. Of course, people are individuals and their needs and actions don't necessarily line up with who they are on paper, but it's a helpful exercise as you think about the overall benefits program.



#### Generation is one factor.

There are currently four generations in the workforce, and they often have very different needs. For example, Gen Z employees just starting their careers and without a lot of extra income might appreciate the option of a lower-cost healthcare plan paired with an HSA. On the other hand, Millennials with young families could want more comprehensive coverage even if it carries a higher price tag and may not offer the tax advantages of the HSA.

It's not just healthcare plans. Employees of different generations are at varying points in their lives and have different needs. Millennials are probably more likely to take advantage of a parental leave plan than Gen Z employees or Gen Xers.



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By extension if most of your workforce is over 50, it probably doesn't make sense to invest in parental leave programs or adoption benefits. Older employees may be more focused on programs that help them transition to retirement, such as an Individual Coverage HRA (ICHRA) for part-time work.

Younger employees are also generally more interested in the ability to personalize or customize their benefits, and they have greater appetite for [voluntary coverages](#).<sup>18</sup>



### **Earnings are another factor that can drive what employees want in their benefits.**

Those who make less might want a lower-cost healthcare option with the ability to buy supplemental coverage. Or, they may be willing to pay more for a plan that protects them from exposure to out-of-pocket costs.

Those who earn more may want more comprehensive coverage. However, they may also want an option that includes an HSA they can use for retirement saving since they could have more ability to pay for out-of-pocket costs today.



### **Family composition can also be something to consider.**

Some employers subsidize the cost of healthcare coverage for dependents. However, it's not uncommon for the subsidy to apply to children while employees covering a spouse pay full freight. If relatively few employees choose to cover dependent children, it might make sense to adjust any subsidies. It's also possible to redesign coverage tiers so an employee covering only their spouse doesn't pay for a family plan. Even a modest spouse subsidy could provide you with a competitive advantage.



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### **If you have part-time, contract or seasonal employees, take them into account.**

You likely don't want to offer the same benefits to non-traditional employees, but you may consider giving them access to voluntary coverage or even think about funding an [ICHRA](#).<sup>19</sup> Offering access to even partial benefits might help you attract these employees.

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### **While looking at your demographic information can point you toward benefits program changes and updates, so can asking employees directly.**

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While looking at your demographic information can point you toward benefits program changes and updates, so can asking employees directly. Conducting either employee surveys or focus groups—or both—lets you solicit first-hand feedback from your workforce about what they want and need.



### **Geographic location may be a new wrinkle.**

If your company now has 100% remote employees, that could impact your [benefits](#).<sup>20</sup> If you previously evaluated, chose and offered healthcare plans based on coverage in one or more geographic areas, employees who are no longer living in those areas may now be way out of network. Ditto for any new remote employees. That could drive costs for them and for you and it could potentially prevent top talent from accepting your offer if your plan design has strong disincentives for out-of-network care.



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## Step 3: Price out a production run. Determine budget and cost.

Benefits represent a significant investment for employers, accounting for about [one-third](#)<sup>21</sup> of compensation costs.

For small businesses, the cost of offering employee benefits may seem daunting, which could explain why [half](#)<sup>22</sup> rank cost as the most important factor when considering what programs to offer. However, 42% consider the ability of benefits to attract and retain employees as the most important consideration.

The cost of a benefits program and its effectiveness as a workforce management tool are intertwined.

- Spend too much on your benefits and any savings from lower recruitment and retention costs could be eroded.
- Save dollars on benefits and you could see turnover increase, leading to more recruitment costs.

For employers it may feel like walking a tightrope.

Understanding and managing costs is vital, and it's important to look not only at the costs of the benefits but also how much you're spending on delivery.

For example, if you use [paper forms](#)<sup>23</sup> to process new hire and open enrollments, you could save money and time with an online, cloud-based enrollment system. If you now have a geographically distributed or remote workforce paper may no longer even be an option.

By the same token if you're spending money printing and mailing enrollment materials to far-flung employees you could cut costs by using electronic communications.

It probably makes sense to reach out to the experts at this point. Your finance people can help you get a handle on the cost of benefits—including ancillary costs, and your broker can be an excellent resource for ideas and feedback about ways you may be able to save money while still offering a strong, competitive program. Let them help you determine if you can get more from your benefits investment.



# 42%

of small businesses  
consider the ability  
of benefits to  
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employees as the  
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consideration.

## Step 4: Line up stars and supporting cast. Develop the plan and look beyond core benefits.

Based on your budget, your goals and the needs and composition of your employee base, it's time to determine exactly what your benefits program will look like.

You'll need to decide on the number of healthcare options (for example, one HMO, two PPOs and an HDHP) as well as the plan design for each (including deductibles, coinsurance or copays and out-of-pocket maximums).

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**Try to keep healthcare plan options as simple as possible while providing some choice and different price points to meet the needs of a range of employees.**

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Some employers offer many different healthcare plan choices, but too much [choice](#)<sup>24</sup>—especially if there is little variation in the plans—can be very [confusing](#)<sup>25</sup> for employees. Try to keep it as simple as possible while providing some choice and different price points to meet the needs of a range of employees.

And, don't forget the non-core options and perks because these really enhance your offering.

A benefits program can, and increasingly should, include a range of options outside traditional healthcare and retirement benefits.

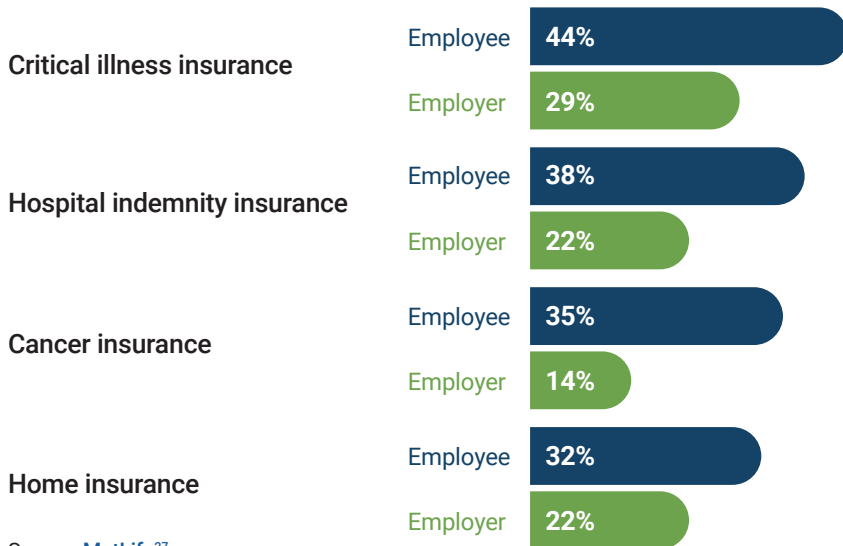
The good news is many of the options employees are interested in are [voluntary coverages](#)<sup>26</sup> that cost the employer little or nothing.



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Among the benefits employees consider must-have are several options that many employers currently don't offer. That represents an opportunity to round out your benefits without increasing the financial outlay. Adding these coverages to your benefits program can be a low-cost way to enhance your plans and meet current and prospective employees' needs.

### Employee must-have benefits versus employers offering those options

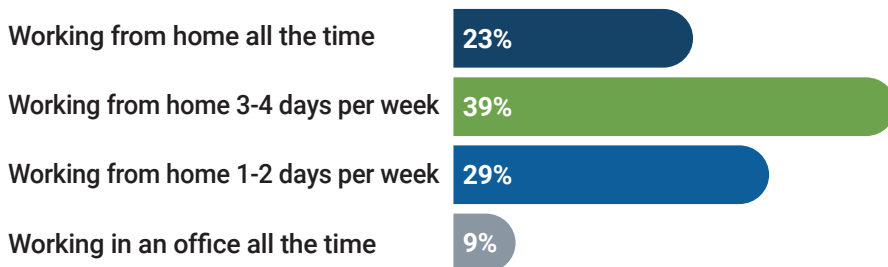


Source: [MetLife](#)<sup>27</sup>

Employees are also looking for what are traditionally considered [perks](#)<sup>28</sup> such as flexibility and time off, which don't add hard costs to your benefits plan but may add significant value to your recruitment and retention efforts. (Of course, not all businesses can offer remote work, but for those that can it may be a significant advantage.)

Studies show that most employees want to work remotely at least part of the time.

### My ideal working situation would be...



Source: [LeadershipIQ](#)<sup>29</sup>



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## Step 5: Keep their attention. Communicate with, engage and empower employees.

Benefits aren't like the baseball field in the classic movie, *Field of Dreams*. If you build them, employees don't necessarily come.

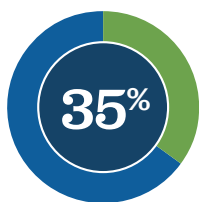
As much as employees appreciate their benefits, the reality is they often don't [understand](#)<sup>30</sup> them. Benefits are complicated and employees need help to know what their options are, especially when you're offering choices or enhancing your program. The last thing you want is for important and valuable changes to go unheralded, unnoticed and unacknowledged.

That's why it's important to be proactive about communicating. But don't be tempted to overdo it. You need to be succinct. And you need to use technology, but it has to be done with some thought.

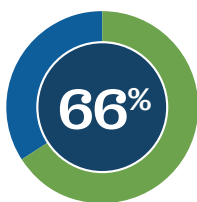
No one wants to read a 5,000-word email or watch a 20-minute benefits video. Pick a few key points and use them to craft and send a series of very short emails. Employees will be more likely to read and digest what you're telling them if you don't overload them with information. If you need to provide more details, attach an additional piece to the email.

Or, better yet, post it in your [benefits enrollment system](#). When asked about their preferred channel of communication around benefits, the most popular response was an online portal at [50%](#)<sup>31</sup> followed by email at 42%.

So, if you have an intranet or online HR portal for employees, be sure to also leverage that to push information about your benefits.



of employees report they don't understand their benefits



want employers to help them understand their benefits throughout the year

Source: [Voya Financial](#)<sup>32</sup>



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If you can swing it, creating a video message from a company VIP demonstrates executive buy-in for the benefits and any enhancements or changes. Again, it should be short and provide the positive rationale behind the changes.

Many companies only communicate about their benefits during annual enrollment but employees want more support and guidance throughout the year. Creating communications can be challenging if it's not your full-time job and hiring a consultant can be expensive. Another possibility to get employees engaged is a monthly or quarterly Q&A session or regular benefits office hours. Chances are some employees will have the same questions so these types of events can be a more efficient use of time for HR staff while helping people better engage with their benefits, and it has the added benefit of you not having to write or design anything.

## Bring down the house with better benefits.

Benefits are an important part of a company's workforce management approach. They help attract and retain talent and contribute to employee health and productivity. That's why having the best possible benefits program can offer a competitive advantage.

Managing the benefits needs of a multi-generational and often diverse and changing workforce has its challenges, so employers need to revisit and adjust their benefits regularly to ensure their offering meets organizational objectives. This includes spending money allocated to benefits as judiciously as possible. The goal is to offer a solid benefits program that cost-effectively supports both employees and the company. Following this five-step plan should help employers achieve that end.

Want to learn more about how a cloud-based benefits system can help you deliver a better experience for employees and save you time and money? [Arcoro](#) can help.

Interested in some additional insights into the connection between benefits and employee wellbeing? Read our [e-book](#).



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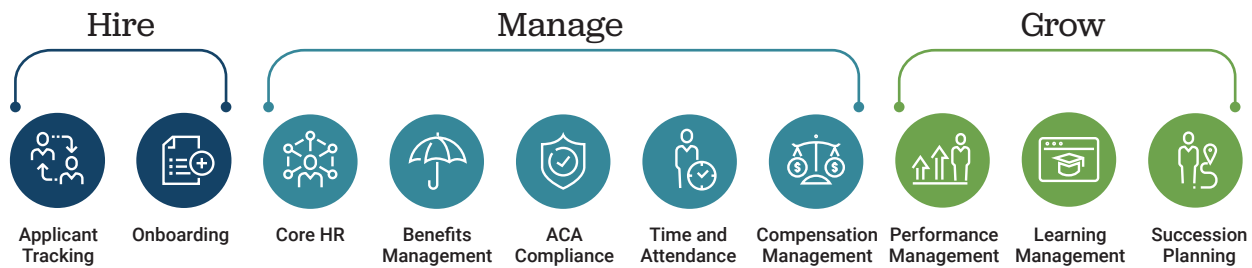
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