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How are Companies Modifying Benefits in Total Rewards Programs to Address the Varying Needs of their Employee Population?

Abstract

[Excerpt] A strategic total rewards program can be used to attract, motivate, and retain employees and generate superior business results. However, while organizations spend an estimated 31.7% of total compensation on benefits, some 60% of firms report having low engagement. Therefore, there is pressure to invest strategically to drive the employee experience. With the increasing diversity of employee populations, as well as the demand for tailored, cafeteria-style benefits, many companies have discovered that a one-size-fits-all approach to rewards is inadequate. This summary will outline how innovative rewards address the needs of these populations.

Keywords

human resources, total rewards, digitalization, family leave, dependent care, workforce expectations

Comments

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EXECUTIVE SUMMARY

Prepared for
Boehringer Ingelheim

RESEARCH QUESTION

How are companies modifying benefits in total rewards programs to address the varying needs of their employee population?

INTRODUCTION

A strategic total rewards program can be used to attract, motivate, and retain employees and generate superior business results. However, while organizations spend an estimated 31.7% of total compensation on benefits,ⁱ some 60% of firms report having low engagementⁱⁱ. Therefore, there is pressure to invest strategically to drive the employee experience. With the increasing diversity of employee populations, as well as the demand for tailored, cafeteria-style benefits, many companies have discovered that a one-size-fits-all approach to rewards is inadequate. This summary will outline how innovative rewards address the needs of these populations.

CORPORATE PRACTICES

This section identifies three innovative benefits practices that can assist a company in meeting its employees' varying needs.

Vacation Stipends:

- **Purpose:** Digitalization's blur of personal and professional worlds has negatively impacted the ability of all employees to disconnect. In 2017, 52% of American employees had unused PTO – totaling 705M days and \$66B in forfeited benefits, and 39% of workers, particularly younger women, wanted to be viewed as a “work martyr” by their boss. Further, as a result of workplace stress, employers spend an estimated \$300B in employee wellness, healthcare, and absence costs annuallyⁱⁱⁱ.
- **Practice:** To reenergize workers and remove the stigma of vacation, FullContact Inc., a Denver-based content management company, began giving employees the ability to receive a \$7,500/year vacation stipend in 2012^{iv}. In order to receive the stipend, however, employees must be completely disconnected for the duration of their vacation. Other small-and-medium-sized companies have since adopted this practice in various forms (Appendix 1).

Backup Adult Dependent Care:

- **Purpose:** Currently, fifteen percent of American employees work a “second shift” as adult caregivers, and nearly 70% of these caregivers suffer work-related difficulties due to their roles^v. In addition to the emotional toll, some 44% of caregivers spend at least \$5,000/year on related expenses. While 85% of employees want their employer to provide backup dependent care, only an estimated 5% of employers currently provide this benefit^{vi}.

- **Practice:** Prudential's caregiver benefits allow for 200 hours of free backup dependent care, in addition to a 25% match of pre-tax funds up to \$4,000 that an employee contributes to a dependent care reimbursement account^{vii}. Other large organizations have also adopted similar policies (Appendix 2).

Post-Leave Reintegration:

- **Purpose:** After childbirth, many parents jointly experience anxiety around leaving their children, coupled with the excitement of returning to a work routine. After returning to the workplace, women, in particular, experience the barriers of unconscious biases and deteriorated professional relationships^{viii}.
- **Practice:** In 2012, EY launched an initiative called the *Career & Family Transitions Program* to coach employees on the critical transition to life as a working parent, including one-on-one sessions prior to, during, and after leave, as well as audio training sessions and group webcasts. The program now boasts four full-time coaches who have successfully worked with more than 600 global employees^{ix}.

IMPLEMENTATION

Modifications to a total rewards strategy should be made in three phases to remain competitive^x:

Catching Up: Ensuring A Solid Foundation

- **Developing a total rewards strategy:** Set clear goals, and align desired employee value proposition to business objectives.
- **Learn what motivates employees:** Identify themes through focus groups, conjoint and engagement surveys, and computer-based analysis^{xi}.
- **Gather executive sponsors:** Conduct a test of total rewards against workforce expectations and hypothetical scenarios for leader buy-in.
- **Address structural and cultural issues:** Ensure HR structure and processes support ownership of total rewards.

Moving Forward: Gaining a Competitive Edge

- **Consider cafeteria plans:** Individual choice can optimize costs and meet unique business and geographical needs.
- **Leverage internal expertise:** Partner with Marketing and Communications to develop a total rewards brand and demonstrate alignment to employees.

Pulling Ahead: Honing the Competitive Edge

- **Utilize multiple communication channels:** Revamp total rewards statements to provide more about the value of the benefit instead of the costs, and consider sending communications at peak before-and-after work hours.

CONCLUSION

While quality is always critical, meaningful total rewards can be implemented and expanded with reasonable HR effort. The practices identified in this summary provide an excellent starting point for expanding total rewards to maximize return on investment.

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APPENDICES

Appendix 1: Corporate Vacation Stipend Policies^{xii}

COMPANY	BENEFIT	STIPULATIONS
TSheets	\$1,500/year travel credit	Complete disconnection
Expedia	\$250 - \$750/year travel reimbursement	Depending on tenure
BambooHR	\$2,000/year travel credit	After 6 months of service
FullContact	\$7,500/year travel credit	Complete disconnection
Airbnb	\$500/quarter travel coupon	Expires quarterly
Moz	\$3,000/year travel reimbursement	--
TripAdvisor	\$250+/year travel reimbursement	Depending on tenure
SteelHouse	\$2,000/year travel reimbursement within 1 day; use of company credit card to front money if necessary.	--
Evernote	\$1,000/year travel credit	Must take a minimum of 5 consecutive days off per year
The Motley Fool	\$1,500 travel prize	One employee chosen per month; vacation must be taken before next drawing.
AFAR Media	\$2,000/year travel credit	--
thinkParallax	\$1,500/year travel credit	Spend at least 1 day giving back to local community

Appendix 2: Corporate Backup Care Policies^{xiii}

COMPANY	BENEFIT	STIPULATIONS
Starbucks	10 subsidized backup care days/year	Cost of \$1/hour for in-home, or \$5/hour for in-center backup care for children and/or adults
Microsoft	Unlimited subsidized backup care	During unexpected disruptions; eligible for children and/or adults
Google	5 backup care days/year	--