What Are Employers Doing to Recruit Workers in the Current Market?

It’s an employee’s market, prompting many employers to increase pay and offer richer benefits to keep talented workers from defecting, according to a 2019 Benefits Strategy & Benchmarking Survey.

4,155 U.S. employer were surveyed and reported that nearly three quarters (73 percent) increased employee compensation this year, and more than half (52 percent) enhanced medical benefits. A growing number of employers are also improving their supplemental and voluntary benefit offerings.

“Well aware that the advantage of record low unemployment tilts heavily in their favor, some employees are using their current job as leverage to gain increased performance recognition or renegotiated compensation,” the authors write. “And others are casually or earnestly exploring new opportunities. The antidote to employee restlessness, churn — and a compromised organizational culture — is regularly identifying and refreshing rewards to match the preferences of distinct employee populations. Delay increases risk in a competitive market, so a relative sense of urgency is important.”

While cost-shifting within health care plans was the norm after the Great Recession, many employers are having to tweak their strategies in the face of a tight labor market. In 2019, almost half (47 percent) of the survey respondents did not increase their employees' share of deductibles, as well as copays, coinsurance and out-of-pocket maximums.

"But underneath this restraint, cost pressures continue to build," the authors write. "It's difficult to balance goals that are often at cross purposes: offering competitive benefits and promoting employee health and productivity — while protecting employees from serious cost-shifting consequences."

For the first time, a majority of employers (51 percent) offered a high-deductible health plan. This plan type now has the second-highest enrollment at 24 percent of employers — up 3 points in each of the last two years.

To further contain costs, employer strategies have shifted from the management of prescription drugs (down 8 points) to specialty drug management (up 7 points), including mandating the use of a specialty pharmacy for some or all specialty drugs. Just over half (51 percent) of large employers are now doing this.

"Looking ahead, the outlook favors adoption of cost transparency tools, cost sharing through plan design changes, and well-being incentives," the authors write. "About one in five employers expects to introduce each of these tactics by 2021."

To make them more competitive in the labor market, a third of employers have enhanced their supplemental and voluntary benefit offerings, expanded leave policies, added well-being initiatives, and/or enriched retirement benefits, according to the report.

Among the voluntary benefits, stand-alone vision plans are both the most common (79 percent) and the most likely to be employer subsidized (33 percent). Pretax dependent care reimbursement accounts also rank among the most frequently used voluntary benefits (64 percent), but only 3 percent are subsidized. Just under 30 percent of employers extend the opportunity for legal services, identity theft protection or supplemental individual disability insurance.

A majority (58 percent) of employers offered a whole life insurance policy. Among supplemental health plans, accidental death and dismemberment is the most common (89 percent) and also the most likely to be employer subsidized (64 percent).

“Leave policies also contribute to employees’ financial security,” the authors write. “Perhaps that’s why 37 percent of employers upgraded this benefit in 2019 with the intent of boosting the competitive appeal of their total rewards.”

Approximately three in four offer disability coverage for their employees, including 74 percent that provide a short-term disability (STD) option and 77 percent that provide a long-term disability (LTD) option. Many employers pay the full premium for STD (55 percent), and even more do so for LTD (66 percent).

Well-being programs are becoming more holistic, focusing on both physical and mental health issues. Financial well-being is also increasingly emphasized, as 69 percent of employers are now offering financial advisor sessions to workers, and 54 percent are offer financial literacy education to help them improve their saving and spending habits.

“It’s tougher to win talent today, but competing on higher wages can easily devolve into an expensive bidding contest,” the authors write. “The smarter money is on creating stronger cultural attachment points for employees that address their physical, emotional, career and financial well-being. This is where the better opportunity lies for differentiating the organization — and strengthening attraction and retention.”

By Katie Kuehner-Hebert