3 areas where employee benefits are out of whack

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It's the tightest labor market in 17 years, according to a new report that says personalized employee rewards could be key to hiring, productivity and retention—but companies aren't seizing the opportunity.

Deloitte's 2018 Global Human Capital Trends report says that while concentrating on employee well-being not only delivers value in engagement and productivity, it has other benefits to offer as well. However, companies aren't throwing themselves into providing the kind of personalized benefits that could mean the most to employees, with only three percent of companies saying that their rewards programs are very effective at motivating talent.

Although 60 percent of business leaders say stronger well-being programs improve employee retention, 61 percent say that an increased focus on well-being improves employee productivity and bottom-line business results and 43 percent say well-being reinforces their organization's mission and vision, just 6 percent say rewards programs are very effective at attracting talent.

In fact, just eight percent say they are very effective at retaining talent, and eight percent say their rewards program was very effective in creating a personalized, flexible solution. Meanwhile 91 percent of companies still only conduct reviews once a year.

The report cites three major areas in which rewards programs are out of whack with what employees actually want. First is a more frequent and flexible review and compensation program. According to a Globoforce study, says the report, "employees who receive regular small rewards, in the form of money, points or thanks, are a staggering eight times more engaged than those who receive compensation and bonus increases once a year."

However, just 20 percent of companies' rate employees more than once a year—and only 9 percent make adjustments to compensation as frequently as they evaluate workers. In addition, most compensation programs are focused more on experience and tenure and aren't flexible enough to respond to frequent changes.

Then there's customization of rewards—or the lack thereof. Rewards programs are still basically traditional in design and award, such as health insurance, sick leave, and overtime pay, although what employees want—especially contract and gig workers—are such accommodations as flexibility, development and recognition.

But only 8 percent of companies this year said their rewards program was "very effective" at creating a personalized, flexible solution. A fraction more—9 percent—in a recent study said they use data and analysis, such as conjoint analysis, to a great or very great extent to hone in on employee preferences.

Last but not least, most rewards programs are not seen as "fair." The report cites a Blind survey of more than 4,000 workers at the 10 biggest technology companies that found that only 45 percent of those highly compensated employees felt they were "fairly paid."

At many companies, the report adds, the way pay is decided is "considered political or arbitrary, which has a huge impact on retention and turnover." Add to that a lack of transparency and you have a large problem, as indicated by a Payscale study that found that employees who don't understand the pay process are 60 percent more likely to quit.

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