

BEST PRACTICES IN Compensation & Benefits

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CASE Study

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Employees Don't Know How Much Benefits Cost? So Show Them!

When Rebecca Harmon, director of corporate human resources for DeRoyal, faced telling employees about increases in medical premiums, she knew it would be difficult. Like you, she wondered how the company could make employees understand the need for an increase—that they weren't just being cheap. She decided to lay her cards on the table.

Harmon contacted Benesync, a Tennessee-based company with a product (and website) called hiddenpaycheck.com. The product, in the form of an employee benefit statement, "shows and explains the costs for your overall compensation package," says Harmon. "It's not just salary, but all your benefits and perks, and everything the company does. It shows you what the company pays and what you're paying, and gives you a bottom line."

"We increased our employee premiums this year by 20 percent," Harmon continues. "That's a pretty major chunk, and we wanted employees to understand the reasons, the factors that had never been explained to them before. So far, we've heard nothing but positives about it."

Tom Smith is the president of Benesync. He says that the concept of hiddenpaycheck.com is an ideal way for companies to clearly show employees how much they spend in total compensation. "Employers spend an average of 42 percent of payroll for benefits, while 80 percent of employees don't understand the terms of the benefits package or the cost." His product is a way to give employees "our side of the story," he says. Harmon agrees. "We wanted employees to really understand how much the employer does care and is putting into their overall compensation package."

Communicating Helps Retention

"We encourage employers to use this as a retention tool," Smith says. He

explains that Benesync works with a lot of healthcare-related companies and that, especially in competitive occupations such as nursing, it's important for the employee to understand what they would lose if they changed jobs. You want to make sure, he says, that the employee understands that an increase of one dollar per hour may not be worth the move, in terms of total compensation.

Hiddenpaycheck.com has all the systems in place to produce total compensation statements quickly and painlessly. "I guess the biggest competitor we have is employers who decide to do this in-house," Smith says. "But, I cannot tell you how many times I hear, either from a prospect or a new client, 'We used to do this in-house, and we'll never do it again.'"

Harmon agrees that using a service to produce these statements is a quick and easy process. "[They have a standard format] and we could change it however we wanted to. It was the click of a button for them. It cost us about \$5.50 per employee. But I'll tell you this: I would never do it in-house. By the time we had our IT group create a database and pull all this information together, it would have been twice that, if not triple. It would have been recreating the wheel for us."

Statements Reflect All Benefits

DeRoyal's statements included much more information than average. "We did a lot of different things than just the basic, because we wanted employees to really understand. We included the basics of medical, dental, life insurance, all of that, but we also chose to show how much we contribute toward our work/life balance programs. We have a wellness center, and we included how much we spend per employee on that; how much the company matches in the 401(k); our employee assistance program. We took it to a different level. Employees were very

receptive, and they were very surprised to see how much the company spends."

Prospects sometimes wonder how, in a down economy, they can justify spending money on new statements. "The reality is," says Smith, "this economy makes our product even more important, because employers need to make sure employees understand how much money they're spending." "I thought it was very worth it," agrees Harmon. "It was very well received, and it's something I'm going to continue to do." —lh

Your Role as a Benefits Communicator

Probably one of the least defined roles in human resources (HR) is that of benefits communicator. In small organizations, the job of communicating benefits is an additional assignment to an already overloaded agenda of responsibilities. Adding to the pressure is the fact that in HR, you must walk a careful line between management and the workforce. You must be an advocate for employees' understanding of the employee benefit plan and the conduit to management for employee complaints and suggestions.

You should report all your observations and findings to management and advise them about changes required to make your plan more responsive to employees' needs or any misuse of benefits you encounter.

Additionally, you should be careful to contain costs associated with communicating and administering the benefits program as part of showing HR's return on investment.