

How to Ensure Your Employees Value Their Benefits Package

*A Research Report from
Charlton Consulting Group:*

**Measuring HR Management's Perceptions about
Employees' Appreciation of their Benefits and
Examining How Companies Communicate this Value**

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Introduction

HR and benefits executives know how hard companies work on behalf of their employees. But, regardless of the diligent efforts put into trying to communicate this information, it seems many employees don't fully appreciate the value of their benefits. This type of mindset can even lead some workers to take their employment for granted.

However, today's employee may be confusing the significance of reward with a sense of entitlement, failing to see the more functional, "big picture" advantages their respective benefits packages may offer.

During the past decades, employees have become accustomed to employer-provided benefits. Many employees count on seeing benefits such as health insurance, disability insurance, Paid Time Off (PTO) and 401(k) plans as part of the most basic benefits package. And, by all means, employee benefits are an integral piece of the overall compensation structure. According to recent surveys, employers are spending almost 40% of their payroll on employee benefits. However, today's employee may be confusing the significance of reward

with a sense of entitlement, failing to see the more functional, "big picture" advantages their respective benefits packages may offer.

When employees think about how much they earn, the figures that usually come to mind are the dollar amounts on their paychecks. Most employees don't appreciate the fact that their pay is only one part of the overall compensation equation.

Charlton Consulting Group conducted a survey to better understand HR and benefit executives' perceptions of how well their employees valued their benefits, as well as their views on "total compensation" communications – what HR departments are doing and why.



Administered in October 2006, this survey represents responses from HR and benefits executives from more than 128 different companies, across a number of industries and company sizes. The demographic profile shows:

- 50% of the respondents are involved with their company's benefits management at a strategic level
- 38% are engaged in day-to-day benefits management
- 45% have a major influence on how information regarding total compensation and benefits is communicated to employees.
- 50% represent companies with 500-2000 employees

Summary of Key Findings

Only a Small Percentage of Employees Fully Understand Total Compensation

Only 5% of HR and benefits executives believe employees fully understand and appreciate the value of their overall total compensation package.

Personalized Employee Communications is Better than “One Size Fits All”

Ninety-seven percent of respondents feel that personalized communications play a critical role in helping employees better understand their benefits as well as the overall value of their total compensation.

Personalized Communications Seen as Aid for Recruitment and Retention

According to 93% of respondents, personalized communications are valuable tools for their recruitment and retention efforts.

Total Compensation Statements Create Value

An overwhelming 96% of respondents feel total compensation statements are important in communicating value to employees about their total compensation. More than half (54%) consider these types of communications “very” valuable. In fact, in organizations currently using total compensation statements, 79% of respondents say employees have at least a moderate level of understanding of and appreciation for their total compensation packages.

Employers Aren’t Taking Advantage

More than half of respondents (55%) are *not* currently using total compensation statements as part of their employee communications. However, 51% of them believe that such communication tools are “very” valuable.

Printed Total Compensation Statements Still Dominate

Print communications are the preferred delivery method for total compensation statements according to 68% of the respondents.

Use of Total Compensation Statements is Growing

Twenty-seven percent of respondents have been using total compensation statements for more than five years. Another 46% say they have been providing these statements for the last two to five years.

More Employers Handle These Statements In-House than Outsource

Almost 60% of respondents who say they provide total compensation statements handle production and delivery of this type of employee communication tool in-house.

Healthcare is Most Understood Benefit

Respondents feel that health insurance is the most appreciated, with 84% reporting that employees understand the value of this benefit “somewhat” to “very well.”

Disability is Least Understood Benefit

Disability insurance was viewed as the least understood, with 44% of respondents saying that employees do not understand the value of this offering.

Insights

In today's ever-changing economy, people remain an organization's most important asset. Helping employees see the true compensation picture is integral to protecting and growing an employer's human capital investment. Employers need to provide benefit information in "black and white" and to deliver these communications in a more engaging, personalized manner.

Savvy HR and benefits executives must continue to look for ways to help employees develop this deeper understanding of and appreciation for their total compensation packages. The ability for HR and benefit executives to provide clear, simple and focused benefit communications through tools such as total compensation statements can bridge the

knowledge gap and help educate employees on the overall value of their total compensation. Helping employees better understand and appreciate their total compensation package can lead to improved morale among the workforce, increased productivity in the workplace, and a reduction in overall staff turnover.

This survey shows that HR and benefits executives firmly believe there is both a lack of understanding and a low level of appreciation among employees when it comes to their total compensation structure. This leaves the

door wide open for HR and benefits executives to develop channels to deliver a 360° view for employees because it appears that effectiveness of communication is the determining value – not so much the richness of the benefit package itself.

Total compensation statements appear to be the perfect tool for communicating value to employees about their entire compensation package. However, the majority of HR departments haven't yet joined some of their peers in providing personalized compensation statements, though the number has been steadily increasing over the last five years.

Regardless of whether the production and delivery is handled in-house or by an outsourced partner, total compensation statements offer HR and benefits executives a flexible option within their employee communications toolbox.

Web-Based, Personalized Communications are Future Trends

Although print communications are the preferred delivery method for these types of benefit statements, companies are having success with Web-based tools as well. In addition, the

use of more personalized information creates a powerful communication approach to help employees better understand their benefits as well as garner a more complete picture of their total compensation. In addition, as the recruitment and retention wars heat back up, personalized employee communications will prove their worth in conveying the value of a company's total compensation program.

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When employees don't fully understand and appreciate their total compensation package, employers are not getting the most "bang for the buck" in terms of their investment in human capital. Companies that effectively communicate the value of their benefits will be better able to retain high performing employees and improve company morale. Employers can leverage the power of information to produce a more informed and loyal workforce.

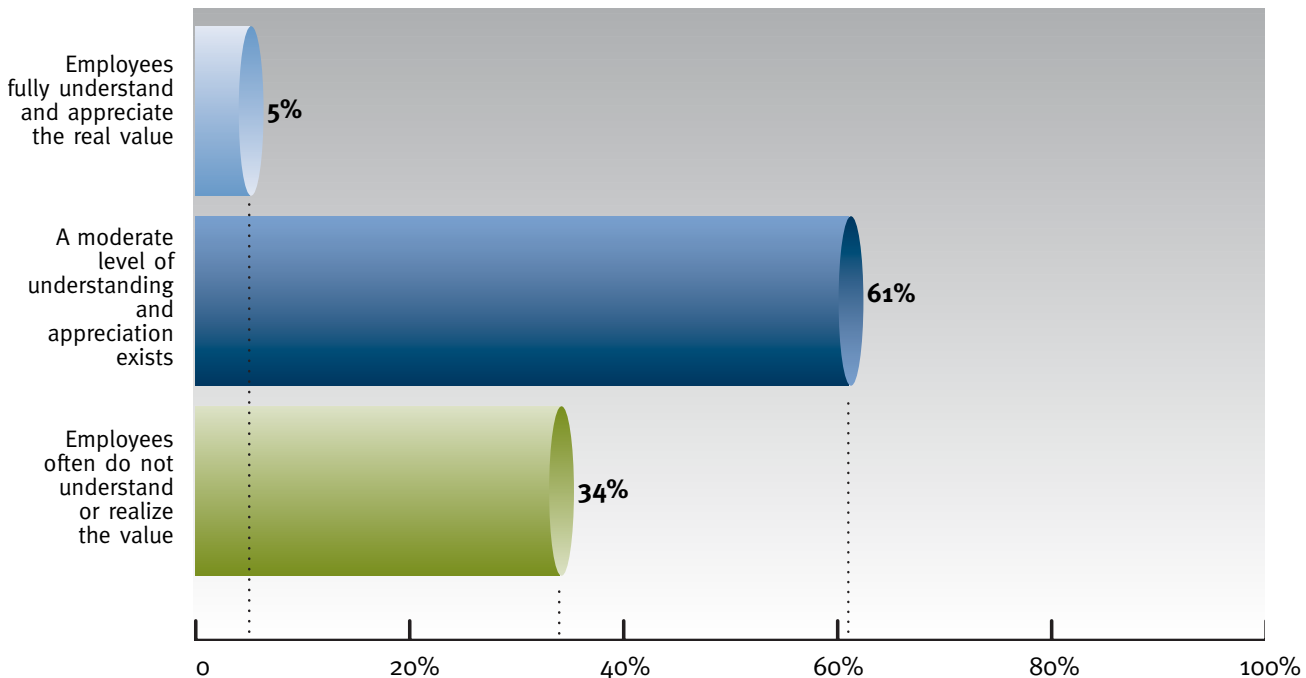
Detailed Findings

Employees Can Be Better Informed About Total Compensation

Overall, only a mere 5% of HR and benefits executives believe employees have a full understanding of and appreciation for their total compensation packages. And, more than one-third of respondents feel employees don't understand or realize the value of their total compensation at all.

Interestingly enough, 79% of HR and benefits executives in organizations currently using total compensation statements as a communications tool report that employees have a stronger understanding of and appreciation for their total compensation package, according to the survey findings.

What are your employees' current perceptions regarding the company's overall total compensation package?



Most Employers See Personalized Communications as an Effective Tool

Ninety-seven percent of respondents believe personalized communications play a critical role in helping employees understand and appreciate the overall value of their total compensation package. However, many HR and benefits executives feel benefits information is most effective when delivered through a mix of communication formats, as 63% say that a combination of both general and personalized communication is a good strategy.

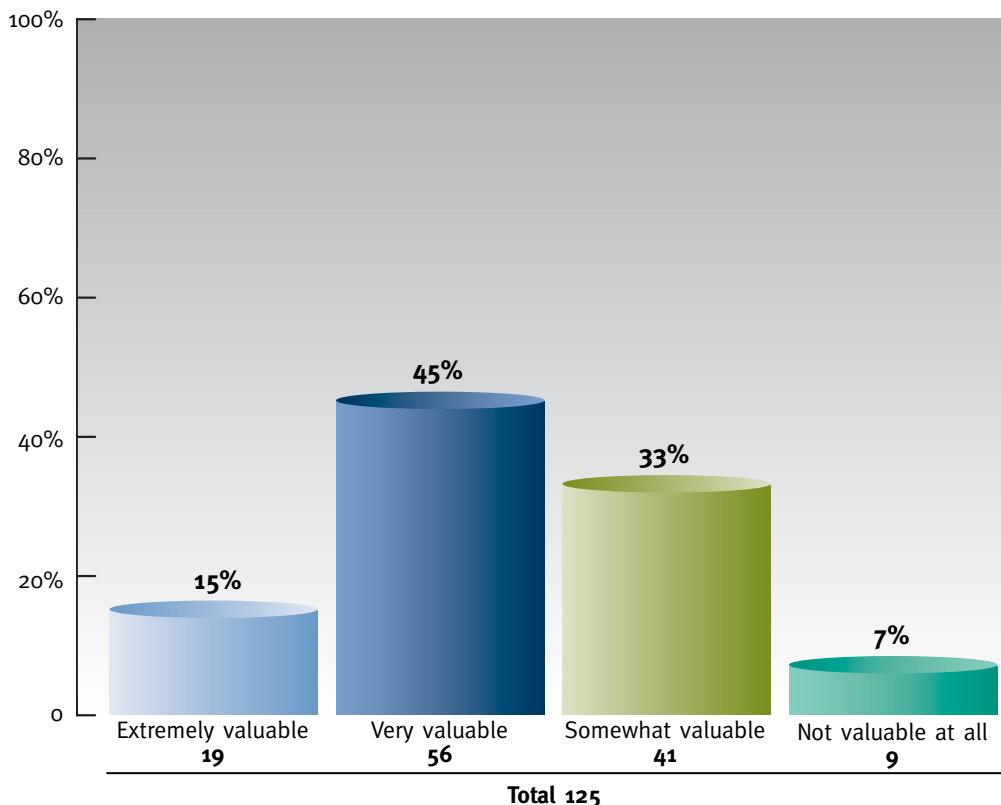
While general communications provide a bird's-eye view of a company's benefits offering and a universal overview of how they work, more personalized benefits communications appeal to specific employee situations – How does the benefit function for the employee and what value does it bring to their individual or family situation?

Personalized Communications Are Valued as Recruitment and Retention Tool

Increased emphasis on recruiting and retention could foreshadow a fresh round of talent wars. And, there is not a better way to communicate the value of total compensation programs than through personalized communications.

Personalized employee benefit communications have a real impact on employees, according to the survey. Ninety-three percent of respondents think personalized communications regarding a company's total compensation package are valuable tools in their recruitment and retention efforts. Forty-five percent alone rank more personalized information as "very" valuable.

How valuable to recruitment and retention are personalized employee communications regarding your company's total compensation program?

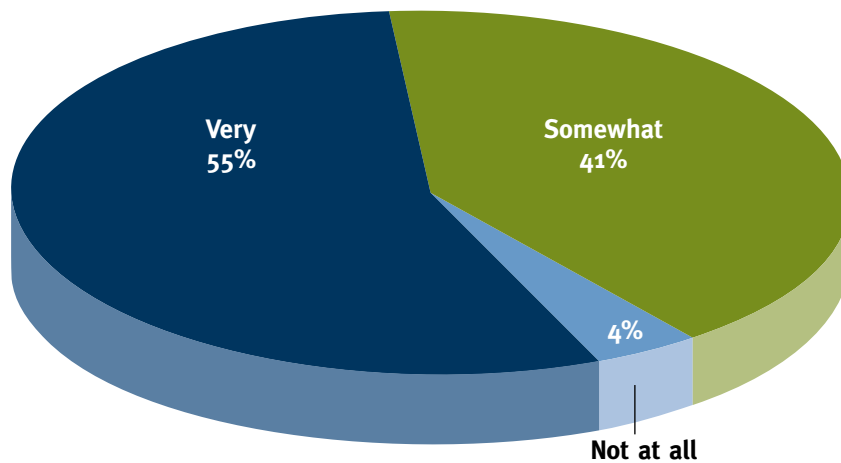


Total Compensation Statements Are Key to Communicating Value

Understanding and appreciating benefits are critical to creating value. Understanding involves employees knowing what their benefits are and how they work. Value, on the other hand, is created through employees' awareness of the employers' costs for providing these benefits. A large majority of respondents (96%) believe total compensation statements are important in communicating value to employees about their total compensation packages. More than 54% consider these types of benefit statements "very" valuable.

As an example, in organizations that do not use total compensation statements, almost half (45%) of respondents feel employees often do not understand or realize the value of the employer's total compensation.

How valuable do you feel total compensation statements are in communicating employees' total compensation package?



Too Many HR and Benefits Executives Miss Communications Opportunity

Even though HR and benefits executives realize the value of total compensation statements, a large number of them are not taking advantage of this communications tool. More than half of respondents (55%) are *not* currently using total compensation statements as part of their ongoing employee communications. However, 51% of this group believes such communications tools are "very" valuable.

Also worth mentioning, of the large employers (5001+) only 38% currently use total compensation statements. Of the same group, more than 60% believe these types of statements are very important in communicating employees' total compensation packages.

While HR and benefits executives know total compensation statements have a real impact, it is often hard for them to focus on this aspect of their day-to-day work because they are so overloaded with a myriad of other responsibilities.

Printed Communications Preferred for Total Compensation Statements

During the last 10 years, there has been a strong push to drive benefits communications to the Internet, but traditional print media still play an important role in delivering total compensation statements. Sixty-eight percent of respondents prefer to use print communications as their primary delivery method for total compensation statements. In many organizations, there is still some resistance to moving “official” types of communications (that contain salary history, Social Security numbers, etc.) to the Web. And, employees still seem to prefer “paper in hand” that gives them quicker, more tangible reference when it comes to their compensation.

Use of Total Compensation Statements Shows Growth

For the past two decades, many employers have been providing some form of benefit statements, either at year’s end or as a recurring tally on monthly paycheck stubs. It has not been until the last five or six years that employers have started to realize the value of total compensation statements and how they can easily provide a drilled-down view of everything an employee receives. Twenty-seven percent of survey respondents have been issuing total compensation statements for more than five years. Another 46% state they have been providing these statements for the last two to five years.

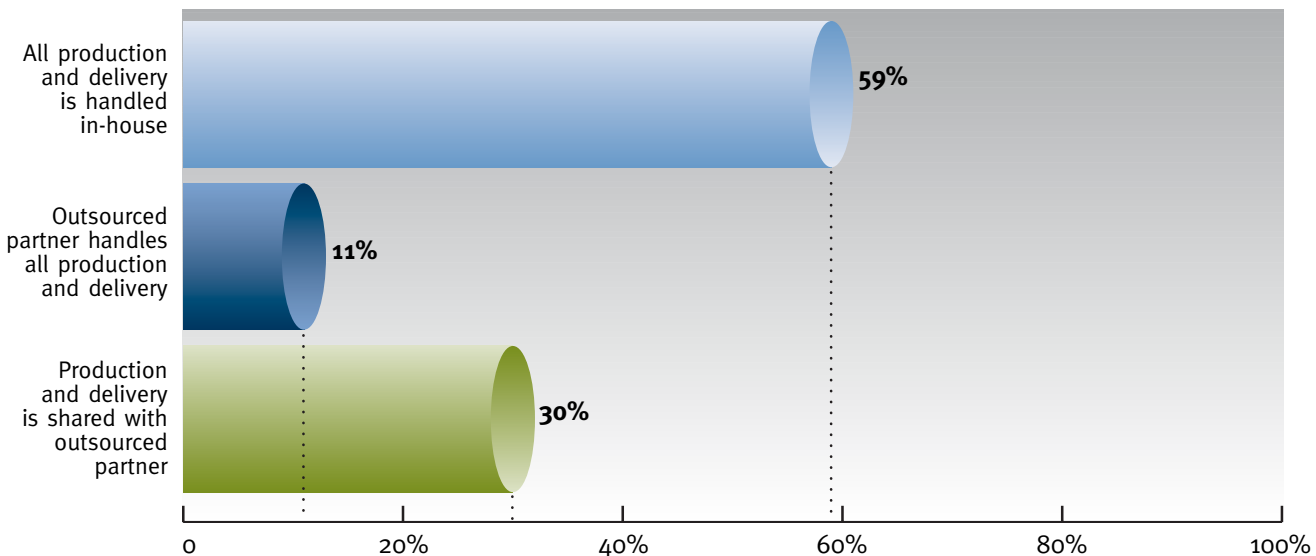
HR Departments Develop and Deliver Total Compensation Statements Internally

As technology and outsourced capabilities have evolved, the production and delivery of total compensation statements have, in turn, become easier and less painful for HR and benefits departments to implement. Total compensation statements today provide more accurate information and offer more sophisticated formats, incorporating packaged data and visual aids, which encourage readership among employees. Almost 60% of respondents who say they provide total compensation statements handle the production and delivery of this type of employee communication in-house.



Nearly one-third of them (30%) share these activities with an outsourced partner.

How is the production and delivery of your total compensation statements handled?



Employers Must Create All-Round Appreciation for Total Benefits Package

Each benefit an employee receives — whether employer-sponsored or employee-paid — contributes to the overall compensation structure. According to the survey, HR and benefit executives perceive that employees have a disparate understanding of value among benefit offerings. Not surprisingly, respondents feel that health insurance is the most appreciated, with 84% saying employees value this benefit “somewhat” to “very well.” As the foundation for most benefit packages, health insurance is a benefit that employees use most often and is always “front and center” because workers directly contribute straight out of their paychecks (more and more each year).

On the other hand, disability insurance is viewed as the least understood, with 44% of respondents feeling employees do not appreciate the value of this benefit. This is due in large part to the fact most employees don’t ever have to utilize this insurance — not to mention this type of benefit is normally employer-paid so they don’t have any “skin in the game” so to speak.

Interesting to note, the survey also shows how total compensations statements can directly impact employees’ understanding of their benefits. Using 401(k) plans as an example, by more than a two to one margin, those employers not using total compensation statements report that employees do not have a good understanding of the employer match to their 401(k) accounts.

About Charlton Consulting Group



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Charlton Consulting Group is a team of highly-focused benefits communications experts with more than 15 years in the business. We provide personalized benefits statements and total compensation communications programs to our clients. These programs have been proven to increase employee loyalty, retention and appreciation.

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