

Top Trends in Employee Benefits 2021

By Seth Morgan

https://www.hr.com/en/magazines/benefits_wellness_essentials/december_2021_employee_benefits_wellness_excellence/top-trends-in-employee-benefits-2022_kxlmz7g1.html?utm_source=email&utm_campaign=excellence-employeebenefitsandwellness&utm_content=employeebenefitstoptrends2022-email&uid=4348427122

In 2018, 41.4 million U.S. workers voluntarily left their jobs, creating a national voluntary employee turnover rate of over 27%. This represented an 8.3% increase over 2017, and a staggering 88% increase over 2010.⁽¹⁾ By 2023, an estimated 35% of U.S. employees will leave their jobs each year to go to work somewhere else.⁽²⁾ High turnover rates can have a negative effect not only on staff morale, but on a company's bottom line; these figures are an indication that businesses should be integrating employee retention into their overall business plans.

What are some tools companies can use to affect employee loyalty? In its recently released 10th Annual Workplace Benefits Study, The Guardian Life Insurance Company identified several ways COVID-19 has impacted the employer-employee relationship. Employee loyalty is significantly affected by how employees believed their employers handled the disruptions caused by COVID-19, the study finds. This translates into 49% percent of employees with a favorable opinion of how their companies responded to the pandemic wanting to stay with those companies for 10 or more years, as opposed to 28% who view their company's response poorly.

The report goes on to detail paid leave, flexibility, use of technology, employee well-being, and interest in issues of social justice as key factors in how they view their long-term relationship with their employer. These are important, as long-term goals, but they are not the only ways employers can create loyalty. For business leaders seeking ways to deal with the changing worker-employer environment, employees must view the company as a great place to work. Furthermore, the best way to attract new employees is for companies to take excellent care of their current ones.

Issues that are assumed to be with the employee often turn out to be in the way the job or department is structured. A lack of understanding of the situation means there was no sense of urgency about addressing the actual problems. However, when the information is made available for everyone to see, this visibility creates accountability. By gaining a clear perspective, employees are more engaged because their efforts are noticed—everyone sees the difference their efforts are making to the bottom line.

A key to creating this engagement is giving employees a sense of ownership. For example, some firms offer salaried employees a greater level of profit-sharing in lieu of annual pay increases. Many employees will take this option and are incentivized to focus on initiatives that may not pay off for several years. In other cases, when companies face the decision on how to make cutbacks during COVID, rather than lay off some employees to keep other workers on full schedules, they opt for hourly worker agreements to across-the-board reductions of their weekly hours.

Keep in mind, programs of this sort may require careful planning to design and implement, but investing in people is always the right move. This means first understanding what motivates employees and then proceeding with careful consideration and planning to conserve capital. Business leaders, particularly

leaders of small to medium-sized businesses, should seriously consider seeking expert advice as they move to make employee retention an integral part of their company's business plan.

The tight labor market means that the cost of retaining employees is often less than replacing them. According to a recent study by the Work Institute, the cost of replacing a single worker is approximately one-third of that worker's annual salary.⁽³⁾ Part of this is due to lost productivity, but another important component is escalating replacement cost, even for nonprofessional positions. A survey by the Federal Reserve Bank of New York shows that the "reservation wage"—the minimum compensation workers would require to accept a job—was, for those without a college degree, 19% higher in March of 2021 than in November of 2019, an increase of nearly \$10,000 per year.⁽⁴⁾ As a result, retaining key employees is critical to any businesses ongoing productivity and profitability.

To illustrate, the restaurant industry has been among the hardest hit by the pandemic shutdowns, and many are functioning well below their full staffing needs. Often the best employees are those who are looking for a sense of security in their work, even in low-income, or part-time roles. By carefully managing payroll and benefits, these businesses can improve employee retention in this high-turnover industry.

Other retention strategies include moving contract employees to regular employees. However, making this move is a large investment with the potential for substantially more cost from payroll by adding benefits and other expenses. Regardless, this can be the correct move for employees and tax reporting. In addition to doing taking correct steps, the transition can provide owners with an attractive compensation model that will help them retain their existing team and attract new hires. Leaders need to see that the numbers are important, and not just rely on "gut instinct". This often involves helping business leaders examine their assumptions and evaluate them considering the reality of their situation. These underlying assumptions often linger in a company's compensation model. Lastly, bonuses can be restructured into uniform, performance-based criteria for groups of employees doing similar roles and amounts that are benchmarked against outside organizations. Presidents would need to develop a performance-based bonus and transition approach to the new program.

Businesses are operating in an especially high-stress environment today. Showing your employees that you value them is essential for a healthy and productive workforce. There are many ways to do this well, but a fair and properly executed compensation plan is essential. A good workforce is an appreciating asset, not just in operational performance, but in long-term enterprise value. You need to make sure—for the employees' sake, the company's sake, and even the company's valuation—that everyone is positioned to make the very best use of that asset.

About the Author

Seth Morgan is the President and CEO of [MLA Companies](#), which he founded in 2006, As a strategic advisor, he brings insight and accountability to business leaders. He also represents sell and buy sides in M&A transactions.

Seth's experience includes mergers and acquisitions, operations, internal consulting, controller operations and general management, bank negotiations, compliance audits and negotiation, business

valuation experience, risk management, budgeting, and forecasting, and dealing with the pressures and dynamics of small business ownership



About MLA Companies

MLA Companies is not a CPA firm that also does consulting. They are consultants who's customized, value-driven approach offers processes and services that align to client's needs and future growth. Founded in 2006 by CEO Seth Morgan, they are financial experts positioned to understand a client and their business—to protect, guide, and empower. Clients who invest in building relationships with MLA Companies know that their purpose will not change but their service offerings can grow as the business grows. At MLA Companies the discussion with a client is centered around purpose and growth first—then finance and services second. Visit <https://mlacompanies.com/>

1. CreditToday.net. "Hiring the Right People and Retaining Valuable Employees Part One: Smart Hiring." Credit Today Newsletter, 27 Sept. 2021, <https://www.credittoday.net/public/Hiring-the-Right-People-and-Retaining-Valuable-EmployeesPart-One-Smart-Hiring.cfm#:~:text=According%20to%20a%20retention%20report,staggering%2088%25%20increase%20over%202010.>
2. -, Anna Peel, et al. "Pandemic Forces Businesses to Invest More in Employees." ValueWalk, 4 Oct. 2021, <https://www.valuwalk.com/pandemic-forces-businesses-to-invest-more-in-employees/>.
3. Otto, Nick. "Avoidable Turnover Costing Employers Big." Employee Benefit News, Employee Benefit News, 10 Aug. 2017, <https://www.benefitnews.com/news/avoidable-turnover-costing-employers-big>.
4. "Employee Retention Takes on New Importance as Demographics, Economy Change." Yahoo!, Yahoo!, <https://www.yahoo.com/now/employee-retention-takes-importance-demographics-192000458.html>.