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Employee benefits: Falling short can hurt in the long run

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For most businesses, employee-related costs are the biggest single expense, with the salary paid to workers just a piece of an overall benefits package that can include a host of extras and significantly affect the bottom line.

According to the Employee Benefit Research Institute (EBRI), U.S. businesses spend more than \$6 trillion each year on employee compensation packages. With that kind of investment, the temptation to reduce costs in the benefits area can be strong.

Medical insurance and other forms of coverage are the fastest-growing expense, though price escalation has begun to moderate recently and employees often say they care more about the quality of their care and coverage than the cost.

Still, EBRI President Dallas Salisbury said a recent survey of employees nationwide found 55 percent were being asked to pay more for their health care coverage as businesses tried to contain costs by shifting more of the burden to their workers.

GETTING COVERED

- Medical insurance and other kinds of coverage are the fastest growing expense for companies.
- Explain to your workers what benefits cost and how decisions are being made.
- Outside consultants are a good way to align company goals with benefit plans.

Meanwhile, the need to attract the best talent means business-owners need to provide a competitive package or risk losing qualified workers to competitors.

Beth Kelly, owner of the **HR Alliance Group**, a Medfield-based HR consulting firm, said businesses have to consider both their own internal philosophies and their markets when they evaluate benefits packages.

"They also have to look at their own employee base," Kelly said. "That's where many employers fall short. They don't look at their work force and see what the employee base looks like, where they are today, and where they're going to be in five years."

Kelly said a young work force, for instance, might be less interested in so-called soft benefits, such as flexible work schedules or parental leave, but are often more interested that employers provide a 401(k) or other retirement option.

"Employers also need to do a better job of explaining to their workers what these benefits cost and how these decisions are being made," Kelly added.

Tom Sheehan, Boston-area president for ADP TotalSource, said that as businesses grow, owners find themselves spending more time wrestling with benefits issues.

"If you think of the person who owns a 50 or 60 person company, they want to focus on operating and growing their business and all of a sudden they are forced to delve into issues such as managing benefit programs," Sheehan said. "What they really



Beth Kelly of HR Alliance Group says companies must consider their own philosophies on coverage and weigh them against their markets.

want to do is focus on their business, the part they love to do."

Kelly noted there are a range of options for finding outside help - something many small and midsize businesses need when it comes to establishing and administering benefits plans - from third-party firms such as ADP, which will handle entire plans on an outsourcing basis, to accounting firms that offer benefits consulting as part of their overall menu of services to insurance brokers who will match employers with plans that fit their needs.

"Sometimes having an outside person who's seen as objective can be valuable simply because they can talk to your employees objectively about the changes being made," Kelly added.

Sheehan said all decisions about benefits flow from the financial considerations, so those should be considered early on.