

Communicating Difficult Benefit Messages

**Penjerdel Employee Benefits
and Compensation Association**

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These are difficult times for the American worker

62,000 Jobs Are Cut by U.S. and Foreign Companies

\$7 billion dollar loss

More companies freezing their pension plans

25% of companies plan salary freeze

Jobs index worst in 35 years

- Downsizings, foreclosures and loss of personal savings make this economic downturn very real for a significant number of employees
 - Many believe that they are at risk of not being able to retire when they want and that their future earnings will plateau or decline
 - The constant barrage of negative economic news helps reinforce the perception that there is no end in sight
- In the absence of communication from corporate leadership, speculation and rumors can spread
 - Employee complaint message boards and blogs have proliferated in recent months
- All of this has led to employee anxiety and uncertainty

Headlines from CNN.com and nytimes.com

How does this impact business?

- The current atmosphere of anxiety and distraction impacts **engagement, productivity and job satisfaction**

Variations From Average: Globally



*Employees of **high performing companies** are more likely than those of under-performing companies to be highly engaged and to believe that their organization is effective in areas such as communication and leadership.*

Source: *Workforce Implications of the Downturn*, a survey conducted by Towers Perrin in December 2008

Why, exactly, does engagement matter?

- **Engaged employees ...**
 - **Drive strong financial performance¹**
 - Companies with high employee engagement had, on average, a 19% increase in operating income and growth of almost 28% in earnings per share over a 12-month period
 - Companies with low levels of engagement saw operating income drop more than 32% and earnings per share decline more than 11% over a 12-month period
 - **Help the company succeed²**
 - Are likely to produce exceptional work
 - Demonstrate innovation
 - Deliver exceptional customer service
 - Are committed to the company's success
 - Go out of their way to help the company make a profit
 - **Are likely to remain committed to the company²**
 - Are less likely to “abandon ship” in hard times
 - Will help the company sustain success in strong *and* weak economic times

Sources:

¹ 2008 Towers Perrin Global Workforce Study

² *Closing the Engagement Gap* (Lowman and Gebauer 2008)

Even in this troubled economy, there are opportunities to drive engagement

- Employees are realistic about the challenges they and their employers face today
 - More employees plan to remain with their present employer, and the number contemplating retirement has dropped since August 2008 (from 11% to 6%)
 - They generally appear ready to shoulder more cost and risk
 - Partly because they have to, but also because they recognize that their employer's success will help ensure their own financial stability and security

The bottom line: Employees are nervous — but they are willing to make an investment to ensure their employer's success.

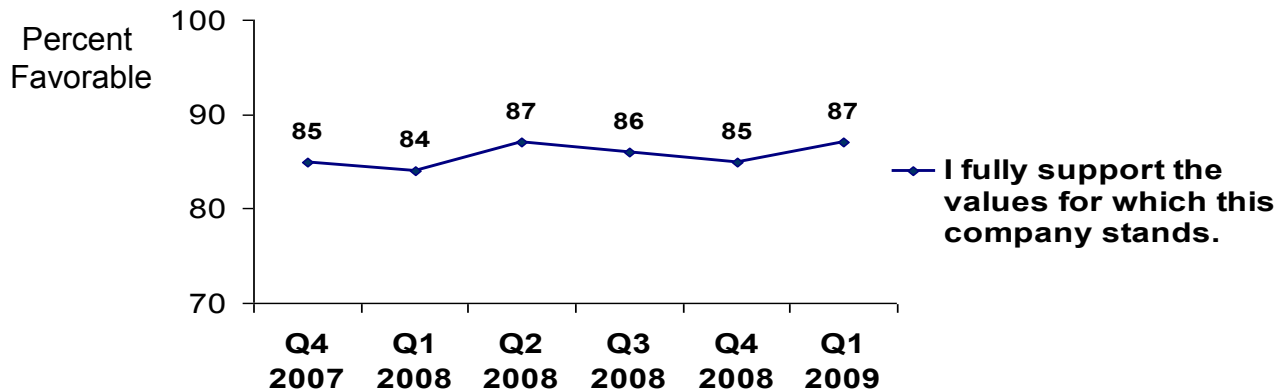
Source: *Workforce Implications of the Downturn*, a survey conducted by Towers Perrin in December 2008

Overall findings from Towers Perrin's new quarterly "workplace watch" research, conducted in Q1

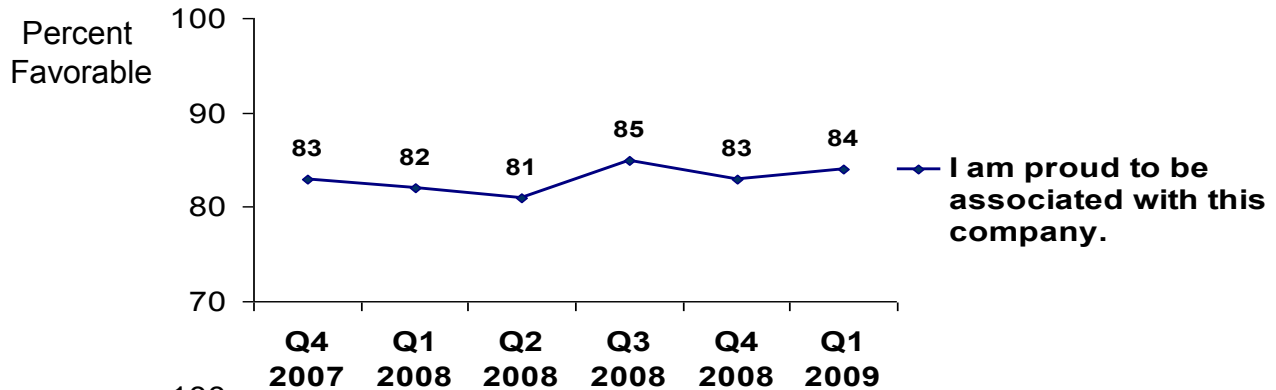
- Employee engagement remains high, chiefly because employees appear to be reacting positively to steps leaders are taking to deal with the recession, including more frequent communication and a greater focus on efficiency
- Employees appear to feel they're a key "part of the solution" and are engaged in helping meet short-term goals to ensure recovery for their employer
- But...employees are showing signs of uncertainty that could change the engagement picture down the road:
 - Less favorable views on leadership abilities overall and decision-making ability
 - Less clarity regarding longer-term company goals and objectives
 - Less opportunity to provide input on important issues
 - Less certainty about the company's general image
- To ensure these developments don't adversely impact engagement levels, it will be important for companies to:
 - Ensure leaders are accessible, visible, communicating clearly about both short and long-term goals and strategic direction, and involving employees in the dialogue
 - Maintain a learning and development culture

Engagement – across the three levels – is holding steady

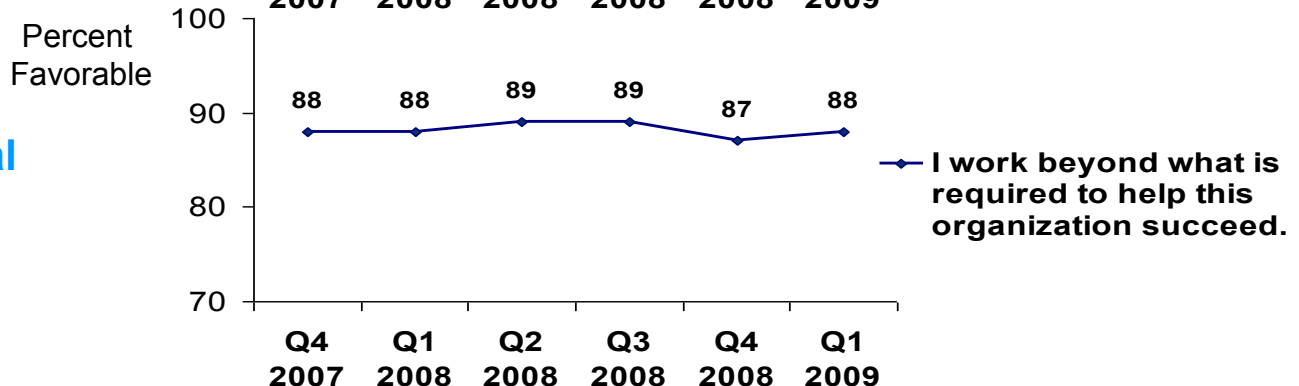
Rational



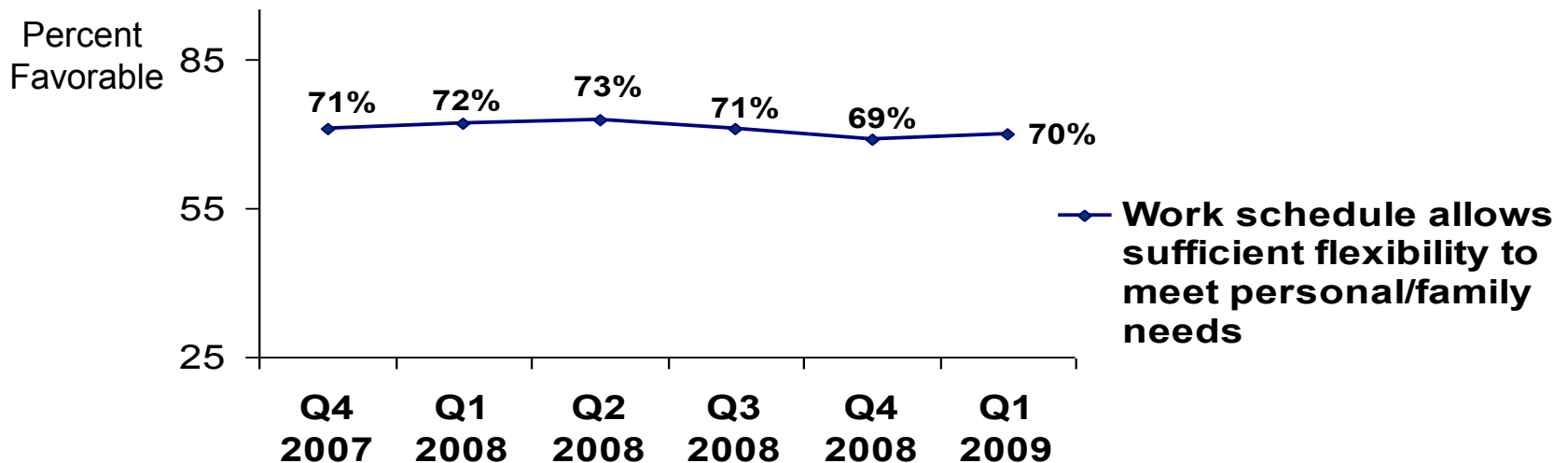
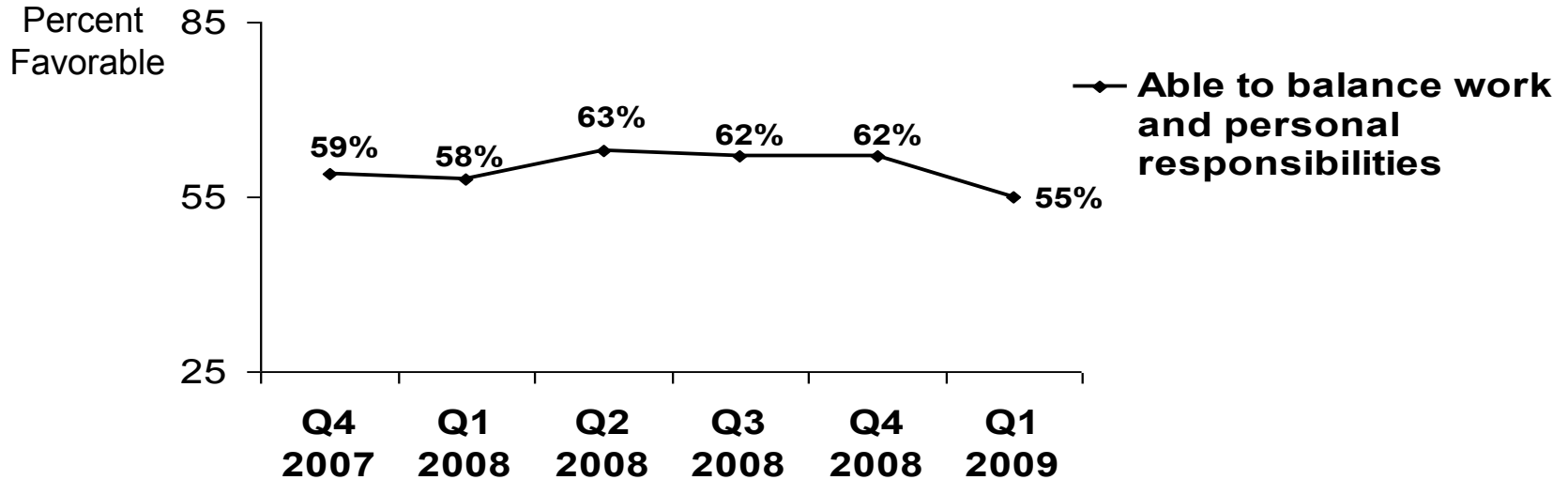
Emotional



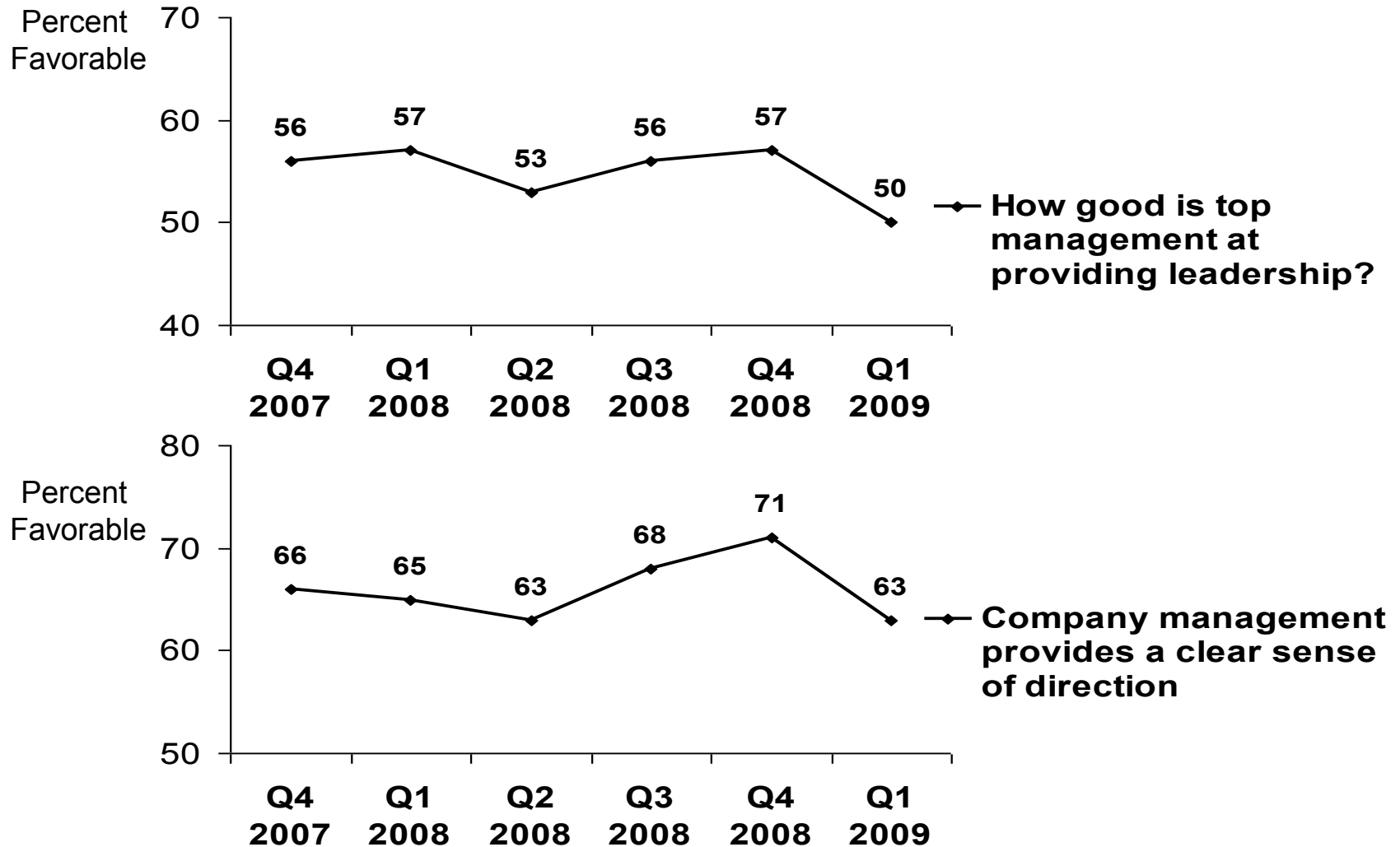
Motivational



While employees are feeling more stress in their day-to-day work, company support is apparent



Yet, most critically, favorable views of leadership effectiveness and clarity of direction are on the decline



The bottom line for organizations...

- Continue to...
 - **Get leaders out front** to talk with employees about the business environment and how the organization is responding in the near-term
 - **Involve employees in efforts to manage costs** while continuing to deliver for customers...it's engaging for people to feel like active contributors
 - **Communicate with consistency and candor** about short-term objectives, progress on operational efficiency and the impact on business results
- Intensify efforts to...
 - **Position senior leaders** as decisive, confident and empathetic
 - **Communicate about the long-term vision** and what the organization stands for – people need perspective about where they are going and want to feel good about working for their company
 - **Promote development opportunities** so people can see a future for themselves worth working toward
 - **Listen and gather input from employees...**this is related to people's desire to contribute

Effective communication can keep employees engaged...

- A comprehensive communication strategy:
 - Allows employers to manage employee reactions; and
 - Keeps employees informed and engaged during any period of transition
 - ***Employees need to understand what's changing, what's staying the same and what all of this means for them***

Risks of Silence

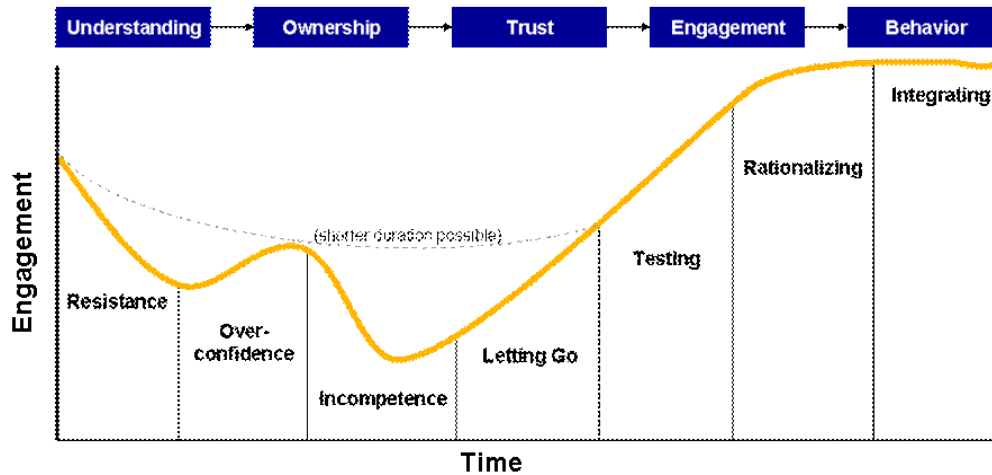
- Employer appears uncaring
- Leadership seems aloof and weak
- Rumors emerge and spread to fill the void
- Employees make uninformed decisions (e.g., over-insuring for health care, stopping 401(k) savings)
- When productivity and efficiency have never been more vital to a company's success, employees become distracted, morale is damaged and engagement suffers
- Valuable talent 'checks out' and may be lost

Potential Rewards of Proactive Communications

- Demonstrate leadership's commitment to and concern for employees
- Reassure employees and squelch the rumors
- Be viewed as a good and fair employer who provides helpful information and tools as well as direction and context
- Sow the seeds for the benefits of trust and transparency — set the company up for long-term success, ensuring employee loyalty and dedication
- Avoid turnover, litigation and other negative backlash

...And help them manage the change in their own ways

The Individual Change Path



Changing behavior is a long-term process of moving people through a logical sequence

Awareness	Understanding	Commitment
<ul style="list-style-type: none"> ■ I know what the company is doing and why ■ I have a general sense of what these changes mean to me and my family ■ I understand how my benefit plans work ■ I have a general idea of how what I do contributes to our success 	<ul style="list-style-type: none"> ■ I know what I need to do to become a smarter consumer of health care services and plan for retirement ■ I understand my responsibility for improving my own health and saving for a financially secure retirement ■ I know what I need to do to make the right benefit decisions ■ I understand the company's role 	<ul style="list-style-type: none"> ■ I understand the consequences to me and the company if I don't do my share ■ I support what the company is trying to do and appreciate my benefits ■ I feel connected to our long-term strategy ■ I feel capable and confident in my ability to make the right decisions, choices

Top 10 factors defining communication effectiveness

1. Open and honest exchanges of all kinds of information (e.g., good and bad news)
2. Clear and understandable material
3. Timely dissemination
4. Trusting the source of the information
5. Procedures that enable flow to and from senior leadership
6. Belief that senior leadership demonstrates a sincere interest in employees
7. Perception of improvement in communications
8. Messages are consistent across sources
9. Knowledge of where to get information, particularly information required to do one's job well
10. Senior leadership communicates vision for long-term success, as well as the company's progress

Source: Towers Perrin 2006 Communication Effectiveness Consortium