

A SURVEY OF TOTAL REWARDS INITIATIVES IN A BAD ECONOMY

By Bobbi Butler

We're all aware that current economic conditions aren't the best. How companies are adjusting their total reward strategies in reaction to this economy, however, varies significantly. In this article, my research and recent marketplace surveys will highlight employers' reactions to the economic downturn and how they plan to deal with its short and long term implications.

The research's consistent message: employers react to their individual situations in a manner appropriate for their business. As I surveyed area companies, I found the responses as varied as the companies themselves. While the media continues to spread gloom and doom, the theme I uncovered was more about getting "real" with employees, communicating the effect of the economy on the company, and focusing on the longer term -- when the economy turns around. Most companies feel it's only a matter of time until business conditions things begin to improve. They also agree that the world as we knew it has changed forever and they need to figure out how to change with it.

Some businesses are doing well and continue to conservatively hire, promote, and increase salaries as needed. More employers, however, report that the downturn has hurt business and they have been forced to lay off employees, reduce hours, and reduce or eliminate raises and bonuses

While compensation budgets are being cut back, employers are maintaining benefits, especially health care. The annual *MetLife Benefits Trend Study* reports that US employees are more aware of their "personal risk exposure" in a bad economy, causing heightened appreciation of workplace benefits. The study also notes the top three influencers of employee loyalty: first, salary and wages; second, health benefits; and third, retirement benefits and other insurance benefits. Smart employers, recognizing that workplace morale is strongly linked to employee benefits, are adjusting total rewards programs to help employees feel more secure in their work environment, leading to greater productivity and increased loyalty to the company

SHRM regularly conducts employer polls to gauge the current state of the market. The most recent polls, which deal with staffing, salaries and 401(k) matches, indicate the following:

- **Staffing.** Over two-thirds of companies report that since approval of the last staffing budget, they have cut back on the number of positions they will recruit; the other one-third report increased staffing or status quo.
- **Salaries.** Over 50% of responding companies indicate their company will either freeze or plan to freeze salaries in the coming year; however, 44% say they have no current plans to do so.
- **401(k) matches.** Over 50% of responding companies do not plan on freezing 401(k) matches or contributions, and 30% either plan to or have already done so.

Although these observations are local and US-based, the reality is that the economic downturn is global, and companies around the world report similar initiatives to those being used in the US. Experts agree that smart companies are thinking longer term and

making current investments in human capital that will pay dividends when economic recovery begins. They realize they need to retain talent and be ready to deploy it. The old adage still holds true, "When the going gets tough, the tough get going." Difficult times frequently lead to innovation and the emergence of new ideas that challenge the old way of doing things. The challenge for today's companies and their HR staffs is to accept the fact that life as we knew it has changed. Tomorrow's company and HR functions will not be the same as today's. We need more sustainable models to get and keep the economy working. This involves rethinking old strategies and redefining what is long term and what is success.

Initiatives with a long term orientation, such as health and wellness, are growing in the benefits world. While achieving high levels of employee performance and competence will provide a competitive edge, a company's biggest challenge is in making this advantage sustainable over time, requiring long term strategies that keep employees engaged in the process. SHRM surveys show that employers have gotten the message. When asked about their talent management priorities, two-thirds of responding employers reported employee engagement and development as a higher priority than before the downturn. HR will play a significant role in ensuring that businesses maximize and hold onto their talent, driving the overall success and profitability of the organization.

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